

**ILLINOIS  
COMMERCE COMMISSION**

**ANNUAL REPORT  
ON ELECTRICITY, GAS, WATER  
AND SEWER UTILITIES**

**1997**

January 31, 1998

The Honorable Jim Edgar  
Governor, State of Illinois  
State Capitol, Springfield, Illinois

Chairman and Members, Joint Committee on Legislative Support Service  
313 State Capitol, Springfield, Illinois

Dear Governor, Chairman and Members of the Joint Committee:

We are pleased to submit to you the Commission's 1997 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 1997, through December 31, 1997.

The Annual Report is submitted in compliance with the Public Utilities Act and specifically addresses the items cited in Section 4-304 of that Act.

Sincerely,

Dan Miller, Chairman

Ruth K. Kretschmer, Commissioner

Richard E. Kolhauser, Commissioner

Karl A. McDermott, Commissioner

Brent S. Bohlen, Commissioner

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## THE MEMBERS OF THE ILLINOIS COMMERCE COMMISSION

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### **Dan Miller, Chairman**

Independent; born 1945; Vice President Crain Communications, Inc., Publisher, *City & State* newspaper, (1989-1994); Associate Publisher/Editor, *Crain's Chicago Business* (1978-1989); Reporter, Editorial Writer, Assistant Financial Editor, *Chicago Daily News* (1969-1978); Report, *Minneapolis Tribune* (1969); Reporter, Booth Newspapers, Inc. (1967-1969); University of Minnesota (B.A. American Studies); appointed to the Commission and named Chairman April 1, 1994; current term ended January 1997; married, three children.

### **Ruth K. Kretschmer, Commissioner**

Republican; appointed to the Commission in 1983; current term ends January 1998. Kretschmer serves as Chairman of the Commission's Gas Policy Committee and is a member of the Commission's Electric and Transportation Committees. She is Chairman of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Gas and serves as a member of the Advisory Council of the Center for Public Utilities, New Mexico State University. She is a member of the Mid-American Regulatory Conference and served as President from June 1995 to June 1996.

Kretschmer served on the Board of Directors for the Center for Regulatory Studies at Illinois State University from 1985 through 1996. In January 1989, she was appointed to the Advisory Council of the Gas Research Institute and chaired the Council in 1995 and 1996. She also served on the Department of Transportation's Technical Pipeline Safety Standards Committee.

Kretschmer holds a degree from DePaul University in business administration and economics; she also attended Harvard University's John F. Kennedy School of Government and completed its Program for Senior Executives in State and Local Government. She is a member of the Economic Club of Chicago and The Chicago Network. She was selected as an honored member of Who's Who in Government Services for 1990.

## **Karl A. McDermott, Commissioner**

Republican; born 1954; appointed to the commission in 1992; current term ends January 1998. McDermott serves on the Commission's Telecommunications, Electric, Natural Gas, and Transportation Policy Committees. He is Chairman of the Environmental Subcommittee of the NARUC Energy Resources and Environment committee.

Prior to joining the Commission, McDermott was the President and Chairman of the Board of the Center for Regulatory Studies (CRS). He currently serves as a board member at the Institute for Regulatory Policy Studies (formerly CRS). During his tenure at the CRS, McDermott was also a lecturer at Illinois State University and a Research Scientist with Argonne National Laboratory. In the mid-1980s, he was a consultant to the Select Joint Subcommittee on Regulatory Reform of the Illinois Legislature and a consultant to the Governor's Sunset Task Force on Utility Regulatory Reform for the Illinois Department of Energy and Natural Resources. From January 1980 to mid-1982, McDermott was employed by the Illinois Commerce Commission in the Policy Analysis and Research Division. In 1978 and 1979, he was a Senior Research Associate at the national Regulatory Research Institute.

McDermott has B.A. in Economics from Indiana University of Pennsylvania (1976), an M.A. in Public Utility Economics from the University of Wyoming (1978), and a Ph.D. in Economics from the University of Illinois (1990).

## **Richard E. Kolhauser, Commissioner**

Republican; born 1942; Northwestern University (B.A. Political Science); Southern Illinois University, Carbondale, (M.S. Economics); Assistant to the President, Precision Products, Inc. (1992-1994); Visiting Research Professor, Sangamon State University Institute of Public Affairs (1989-1992); Deputy Director Illinois Bureau of the Budget (1977-1989); Financial Advisory, Office of the Comptroller (1973-1976); Chief of Fiscal Analysis, Bureau of the Budget (1970-1973); assumed Commissionership April 18, 1994; current term ends January 2000; married, one child.

## **Brent S. Bohlen, Commissioner**

Democrat, born 1950; Southern Illinois University, Carbondale, (B.A. Government); John F. Kennedy School of Government, Harvard University, Cambridge, MA (M.A. Public Policy); Harvard Law School, Cambridge, MA (Juris Doctor). Attorney and writer. Editor, "The Cook-Witter Report," (1986-1996); Member, Illinois Property Tax Appeal Board, (1987-1995); legal counsel, Taxpayers' Federation of Illinois, (1980-1985), Hearing Officer, Office of Secretary of State, (1980-1981); Assistant State's Attorney, Sangamon County, (1977-1979); Analyst, Illinois Bureau of the Budget, (1976-1977); authored, "A Practical Guide to Illinois Real Estate Taxation," served, Illinois Department of Revenues Project on Assessing Officials' Education; served, Illinois Department of revenue's Advisory Committee on Recodification of the Property Tax Act; appointed to the Commission in May 1996 for a term expiring in January, 1999; married, two children

# *Public Act 90-561 \**

## *Electric Industry Deregulation*

### *Actions Taken in 1997*

On December 16, 1997, Governor Jim Edgar signed into law House Bill 362, which provided for major restructuring of the electric industry in Illinois. Following enactment of the new law, formally identified as PA 90-561, utilities began immediately to file tariff changes and propose new experiments, in accordance with the terms of the law. Those provisions filed in December 1997, include:

**December 16:** ComEd filed to eliminate its Uniform Fuel Adjustment Clause, effective January 1, 1997, pursuant to HB 362's new Section 9-220(e). The cost of fuel included in base rates charged to customers was not affected. A tariff to refund net charges collected through the UFAC during 1997 was also filed. This tariff will become effective on January 30, 1998, with refunds going to customers within six months after that date.

**December 29:** ComEd filed, pursuant to HB 362's new Section 16-106, to offer a consolidated billing experiment to two groups of customers-retail trade customers with at least five sites meeting certain load requirements and school districts with at least three sites and certain load requirements. ComEd's filing stated, "The purpose of this experimental program is to gain new and additional information about systems and technologies involved with aggregating for billing and reporting purposes, the demand and energy usage of large commercial customers having multiple geographically-dispersed locations... ComEd anticipates that the technologies and systems being piloted will be used to aggregate a variety of loads in an open access environment."

**December 30:** ComEd filed, pursuant to HB 362's new Section 16-106, the Affinity Group Billing Experiment offered to Illinois Retail Merchants Association (IRMA) members. The filing states that IRMA members will share information, assist in market research, and otherwise work with ComEd to "better understand and address the needs of commercial retail customers in transitioning to a more competitive market for electric services." In return, IRMA members will receive a reduced demand charge. According to ComEd, participants are expected to obtain an average 15 percent savings compared to standard rates.

**December 16-31:** Electric and gas utilities filed tariffs in response to HB 362's mandate that utilities assess monthly the Renewable Energy Resources and Coal Technology Development Assistance Charge and Energy Assistance Charge for the Supplemental Low-Income Energy Assistance Fund on each account.

	Renewable Energy	Low-Income
Residential	\$.05	\$.40
Nonresidential, <10 mW peak <4,000,000 therms	.50	4.00
Nonresidential >10 mW peak >4,000,000 therms	37.50	300.00

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\*Electric Service Customer Choice and Rate Relief Law of 1997

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# ILLINOIS COMMERCE COMMISSION

## YEAR IN REVIEW 1997

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### ENERGY...

#### ELECTRIC RESTRUCTURING

The Illinois General Assembly passed and Governor Edgar signed landmark legislation providing for deregulation of the electric utility industry. Included in the legislative package was a 15 percent rate reduction for residential customers of Commonwealth Edison Company and Illinois Power Company in 1998 followed by a 5 percent rate cut in 2002. The new law would phase in a five percent rate reduction for residential customers of CILCO beginning in 1998. Residential customers will be allowed to shop the energy marketplace beginning May 2, 2002. Non-residential customers will be allowed to access alternative energy suppliers beginning October 1, 1999. Those who choose to purchase power from another energy provider will pay the utility a transition fee through 2006.

#### ELECTRIC RELIABILITY

The Commission approved special incentive tariffs filed by Commonwealth Edison Company, South Beloit Water, Gas and Electric Company and Central Illinois Public Service Company aimed at encouraging firm load industrial customers to reduce or curtail energy usage in the summer of 1997. The mid-American Interconnected Network, which monitors energy production and distribution in the Midwest, had warned of potential energy shortages due to the number of nuclear power plants out of service in the region. Due in large part to mild weather, there was adequate electric capacity to service customers' needs in 1997, but reliability issues are a significant concern once again in 1998.

#### RATE DECREASE

Mid-American Energy, serving the Quad-cities area, filed new tariffs reflecting \$2.4 million in additional rate reductions which took effect in June 1997. The filing followed a Commission order in October, in which the company was directed to reduce rates immediately by 10 percent or slightly more than \$13 million. Further negotiations with ICC staff and other parties produced the additional reduction, bringing the total to nearly \$15.5 million.

#### MERGERS

The Commission approved the mergers of Atmos Energy Corporation and United Cities Gas Company, Central Illinois Public Service Company and Union Electric Company, and South Beloit Water, Gas and Electric Company, a subsidiary of Wisconsin Power and Light and Interstate Power Company, while ensuring that merger benefits were shared with Illinois ratepayers.

#### SALE OF GENERATING PLANTS

The Commission authorized the sale of Commonwealth Edison's Kincaid, Illinois, power station to Dominion Resources Inc. of Richmond, Virginia, for approximately \$185 million and the Stateline (Indiana) plant to southern Company of Atlanta, for approximately \$64

million. Under the terms of the agreement, Edison will purchase the power from the plants for at least 15 years.

#### AFFILIATE TRANSACTIONS

The Commission approved an operating agreement that sets out ground rules for the transfer of assets between Commonwealth Edison and its parent company, Unicom, and other subsidiaries.

#### NATURAL GAS PRICES

The Commission initiated an investigation into the natural gas price hikes which occurred in the winter of 1996-97. After considering comments from interested parties, a final set of recommendations was approved in which the Commission agreed that utilities should take steps to alert customers to price increases. The Commission, meantime, continues to review the prudence of gas purchases for each Illinois gas utility.

#### GAS RESTRUCTURING

The Commission conducted a series of public hearings on restructuring the natural gas market to allow residential and small commercial customers access to alternative sources of natural gas. If services were unbundled, customers could purchase gas from a competitive market, then pay their local utility a fee to deliver the gas to them. Currently, all major gas utilities provide some form of unbundled service for medium and large gas customers. In addition, CILCO, Peoples Gas Light and Coke, and Northern Illinois Gas have begun pilot programs for smaller customers.

#### PIPELINE

The Commission voted 3 to 2 to deny a petition by Lakehead Pipeline Co. for a certificate of public convenience and necessity to construct a pipeline to deliver petroleum to the Chicago area. Although Lakehead is proceeding on plans for expansion, the Commission's denial precludes Lakehead from condemning property, should such action be necessary.

The Commission denied Quantum Pipeline Company's petition to build an ethylene pipeline from its facilities in Iowa to Morris, Illinois, finding that the Company failed to prove it would operate as a common carrier or that there was a public need for its service.

#### POWER LINE

Hundreds of residents attended a public hearing in Lake in the Hills to protest Commonwealth Edison Company's plan to locate a 138 kV power line in the area. The Company argued the line is necessary to serve the rapidly developing northwestern suburban area. Many objected to route selection while others recommended the line be buried. A hearing examiner's proposed order is pending.

#### COGENERATION

QST Energy, Inc. filed a formal complaint with the ICC in April which alleges that Commonwealth Edison has acted in an anticompetitive manner to block the installation of cogeneration facilities in the Sears Tower. A ruling is expected in early 1998.

## TELECOMMUNICATIONS...

### COMPETITION

The Governor signed into law SB700, giving the Commission additional enforcement authority in dealing with telecommunications companies as they move into competition in the local exchanges. During 1997, five SB700 complaints were filed. One was withdrawn before Commission consideration, two cases were decided, and two are pending.

An ICC Hearing Examiner recommended the Commission find that Ameritech Illinois failed to meet four of the criteria on the federal checklist, a technical measure of actual competition. The company later asked the Commission to delay consideration of the order until further notice. The Telecommunications Act of 1996 directs the FCC to consult with state Commissions in order to verify compliance with the open access requirements detailed in the Act, and often referred to as the checklist. The ICC will advise the federal agency on the status of local competition in the Ameritech service region when the company seeks FCC authority to provide long distance service in the state.

### AREA CODES

The Commission held 11 public forums in the Chicago region this summer to receive customer comment on a plan to add another new area code to the 847 area as early as next year. Among the possible solutions to another split of the area code is an overlay, a separate area code for any new phone numbers issued to customers in the area, or a number conservation plan. A final decision in the case is pending.

### NUMBER PORTABILITY

Field tests of the local number portability system were completed in September, setting the groundwork for implementation. In November, the commission initiated a cost recovery study to determine how telecommunications companies will be compensated for expenses associated with operation of the service. The cost of implementing the program and how and which customers may be charged for the portability service will be examined.

### RATE DECREASE

The Commission ordered Ameritech to reduce rates for telecommunications customers by \$54 million, as part of its annual alternative regulation filing. The company had proposed a \$39 million reduction, but Commission review indicated further rate relief was necessary. New rates took effect in July.

### SALE OF ASSETS

The Commission approved the sale of Centel's Metro Division to Ameritech for approximately \$160 million. Sprint-Centel's Metro Division provides service in two exchanges in and around Park Ridge and Des Plaines including O'Hare Airport.

### UNIVERSAL SERVICE

The Commission adopted rules that will allow eligible schools and libraries in the state to begin applying for low-cost

telecommunications services, including Internet connections. The Commission also adopted rules that will allow low-income customers to receive assistance for their monthly telephone charges. The discounts for schools and libraries as well as the low-income support program, available January 1, 1998, will be funded through the federal Universal Service Fund, as provided for in the Telecommunications Act of 1996. The fund is made up of contributions from telecommunications companies.

## TRANSPORTATION...

### RAIL SAFETY INITIATIVE

Passage of the Governor's Rail Safety Initiative has allowed the Commission and the Illinois Department of Transportation to work toward creating a computerized data base on interconnected rail crossings. The Commission has developed an inter-agency agreement with Metra on its interconnected crossings and is continuing to negotiate with the Chicago Transit Authority on a similar agreement. Newly authorized rail staff positions have been filed. Over the summer, 11 interns, supervised by rail safety staff, completed an extensive inventory of approximately 3,000 rail crossings in the state. A bridge program inventory is currently in the planning stages. The number of track and hazardous material inspectors has been expanded.

### GRADE CROSSING PROTECTION

The 1996 Annual Report On The Use of the Grade Crossing Protection Fund was issued on May 21, 1997. Noted in the report was the incidence of 34 fatalities and 80 injuries at public rail highway crossings in Illinois during 1996. This was the lowest number of accidents, injuries, and fatalities in the program's 52-year history.

Nearly \$25 million of the grade crossing protection fund has been obligated for rail crossing projects in the current fiscal year. Approximately \$29 million will be spent next fiscal year on additional safety improvements at some of the state's most hazardous crossings.

Awards were presented to law enforcement and media representatives for their contribution to improving rail safety awareness in an event held at Chicago's Union Station on the 25<sup>th</sup> Anniversary of the Operation LifeSaver program.

### TRAIN SPEEDS

Legislation has been enacted which reduces Metra train speeds through Fox River Grove and requires the ICC to conduct evaluations and issue reports.

## MOVING COMPANIES

The Commission issued a citation to Midway Moving and Storage, Inc., a Chicago-based household goods moving company, in August, directing the company to show cause why its license should not be suspended or revoked and a civil penalty assessed for more than 113 alleged violations of the Illinois Commercial Transportation Law, as well as Commission rules and regulations. The Commission received a number of complaints about the company's practices. The case is continuing.

## FEDERAL-STATE COOPERATION

The Commission is finalizing an agreement with U.S. DOT to integrate federal and ICC insurance and registration data for use at the U.S. border in connection with NAFTA enforcement.

## *COMMISSION INITIATIVES...*

### ELECTRONIC TARIFF FILING PROJECT

An Electronic Tariff Filing Pilot Program began in April. Utilities participating in the pilot program are Illinois Power Company, Peoples Gas, Illinois-American Water Company, GTE and Ameritech.

### COMPLAINT RESOLUTION

A new Automated Complaint Tracking System (ACTS) was installed in the Consumer Services Division to make it easier to enter complaints while talking to a customer and to expand reporting capabilities. The new system, coupled with the installation of an automated call distribution system in January, allowed for more efficient use of the toll-free line and the ability to make personnel adjustments based on calling volume. The number of calls answered in 1997 doubled the 1995 calls answered.



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## **INTRODUCTION**

The following report for calendar year 1997 was prepared to meet the requirements of the Public Utilities Act (PA-84-617). Section 4-304 of this Act instructs the Illinois Commerce Commission to prepare an annual report and provide copies to the Joint Committee on Legislative Support Services of the General Assembly, the Public Counsel, and the Governor.

Nine specific sections on which the Commission is asked to report are cited in the Act. The report is therefore divided into nine main parts. For the convenience of the reader, each part is given the same number designation as the corresponding subsection of the Public Utilities Act that it addresses.

During 1997, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

Brent S. Bohlen

Richard E. Kolhauser

Ruth K. Kretschmer

Karl A. McDermott

Dan Miller

Over the years, the Commission's concerns have broadened from local and state issues to include the national arena. These include development of competitive telecommunications markets, conservation of natural resources and the interstate transmission and sale of natural gas. Despite the many changes in the regulated industries and in the Commission itself, however, the objectives of the Commission remain the same-to assure the people of Illinois get the quality of utility service they want at prices they can afford to pay and to provide an environment in which public utilities can contribute to the economic development of our state.

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## **ILLINOIS COMMERCE COMMISSION**

### **STATEMENT OF MISSION**

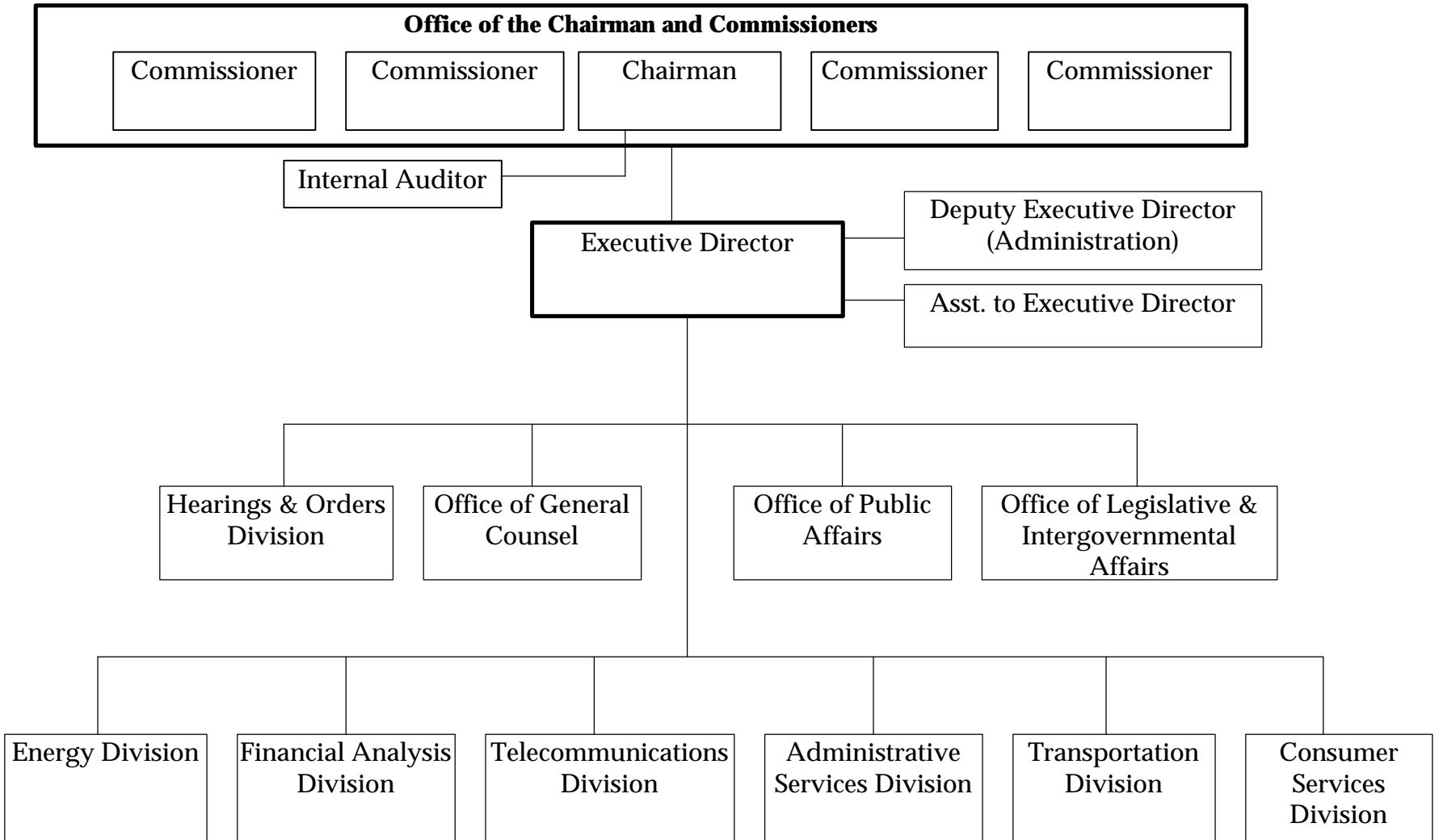
The Illinois Commerce Commission was created by the General Assembly for the purpose of regulating public utilities and commercial transportation. The structure and major functions of the Commission are derived from the Illinois Public Utilities Act (PA84-617), which states that the policy of the State shall be to continue the effective and comprehensive regulation of public utilities. The goals and objectives of such regulation are to ensure efficiency, environmental quality, reliability, and equity. The Commission regulates telecommunications services to the extent mandated by Article 13 of the Public Utilities Act. The Commission's regulatory responsibilities for transportation brokers and carriers are derived from the Illinois Commercial Transportation Law (PA84-796). In addition to these specific legislative mandates, the Commission fulfills all other responsibilities delegated to it through other Public Acts of the Illinois General Assembly.

The extensive revision of the Public Utilities Act, which became effective January 1, 1986, brought new challenges to the Commission. As envisioned by Illinois statutes, the Illinois Commerce Commission's role is to continue providing for safe, efficient, and reliable public utility service within Illinois at the least cost to ratepayers, while allowing the utility the opportunity to earn a fair rate of return. Instead of relying solely on rate proceedings filed by utilities as the principal vehicle for regulation, the revised Public Utilities Act mandated a more active role and permits the Commission to supplement revenue requirement regulation with alternative tools and procedures. It is thus the intention of the Commission to shift from passive oversight to active investigation to the extent resources permit.

The principal mission of the Illinois Commerce Commission remains fulfillment of its statutory obligation to regulate public utilities and commercial transportation in the State of Illinois. To fulfill this principal function, the Commission must provide access to various points of view and use a variety of avenues to communicate with the members of the General Assembly, public interest groups, private concerns, and public utilities. The Commission must continually seek to improve the competence of its staff and clarify its internal procedures to provide greater access to resources and improved analysis of information to insure arriving at the best possible decisions.

In addition, the Commission staff must seek out, develop, and utilize state-of-the-art regulatory information and techniques while striving to advance and protect the interests of the State and its citizens in appropriate regulatory, legislative, and judicial forums at the state and federal levels. Through all of its activities, the Commission endeavors to promote the public interest.

**ILLINOIS COMMERCE COMMISSION  
ORGANIZATION CHART**



# **SECTION 1**

## **General Review of Agency Activities**

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***(1) A general review of agency activities and changes, including:***

***(a) a review of significant decisions and other regulatory actions for the preceding year, and pending cases, and an analysis of the impact of such decisions and actions, and potential impact of any significant pending cases;***

***(b) for each significant decision, regulatory action and pending case, a description of positions advocated by major parties, including Commission staff, and for each such decision rendered or action taken, the position adopted by the Commission and reason therefor;***

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## **REVIEW OF SIGNIFICANT COMMISSION DECISIONS**

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 1997. These summaries are by no means exhaustive, but they do provide a representative sampling of Commission actions. If the reader would like to know more about any of the cases discussed in this report, both the Commission's order and the record for decision are available for examination in the Commission's Springfield office. In any proceeding in which the Commission has entered an order on the merits, the best summary of positions advocated and reasons for the Commission's adoption of a position is contained in the order itself. Copies of these documents are available free of charge to public officers; others may obtain copies upon payment of the fee established in Section 2-201 of The Public Utilities Act. Selected orders and other Commission documents may be found on the Commission's web page ([www.state.il.us/icc](http://www.state.il.us/icc)).

## **PENDING CASES**

As noted above, Section 4-304 of the Public Utilities Act also requires a review of pending cases, including an analysis of the potential impact and a description of positions advocated by staff and major parties. The Commission feels that it is precluded from entering into discussions of pending issues or characterizing positions advocated by staff and parties in pending cases. The dangers of acting otherwise include the possibility of violating restrictions on ex parte communications (see Section 10-103 of the Public Utilities Act and 83 Ill. Adm. Code 200.710) and the possibility of later being held to have prejudged issues pending before the Commission as of the date of this report. The Commission's record in pending cases is available for examination through the Chief Clerk's Springfield office.

## **SIGNIFICANT REGULATORY ACTIONS**

Significant actions taken by the Commission during 1997 are described in the summary statement, "The Year in Review," immediately preceding this section.

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**(1-c) a description of the Commission's budget, caseload, and staff levels, including specifically:**

**(i) a breakdown of type of case by the cases resolved and filed during the year and of pending cases;**

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A breakdown of the types of cases resolved and filed during the year and of cases which are still pending is given in Table 1-1 below.

<b>TABLE 1-1</b> <b>Types of Cases Before the Commission</b>			
Case* Type	Cases Filed 1997	Final Orders 1997	Cases Pending 12/31/97
ABN	40	23	27
AGO	12	11	14
AIC	4	3	4
AMR	15	15	9
ASE	17	21	15
ATC	1	1	
CAR	4	7	4
CBL	59	49	78
CCN	270	290	199
CIC			3
CIT	46	24	46
CMP	12	11	9
CSR	6	4	
DEP	1		1
EMD	3	7	4
EPS	2	1	5
ESA	6	7	12
FIN	16	7	16
MIS	65	71	45
RAI	6	4	7
REC	45	39	68
RUL	1	5	6
SDW	23	21	11
TRF	13	19	20
911	12	10	7
*An explanation of case types is given in the table on the following page.			



**TABLE 1-2**  
**Key to Case Types**

ABC	Application for service territory boundary change.	CTX	Citation concerning filing of public utility tax.
ABN	Application to abandon service or status as a public utility or telecommunications carrier.	DEP	Application for approval of depreciation rates.
AEX	Application for approval of extended area service (telephone).	EMD	Application for approval of exercise of eminent domain (condemnation suit seeking property of a public utility or telecommunications carrier or application under Section 8-503).
AGO	Application regarding Commission rules (Deviation from, compliance with, or change in).	EPS	Energy Plans
AIC	Application regarding an "affiliated interest" matter (Section 7-101).	ESA	Electric Suppliers Act cases
AMR	Application for approval of merger of utility or telecommunications carrier.	FIN	Application under Section 6-102 (Bonds, notes, stocks, conditional sales contracts, debentures, stock dividends, etc.)
ASE	Application under Section 7-102 (license agreement, lease agreement, inter-utility transactions, and property sales).	MIS	Miscellaneous
ASU	Approval of sale of utility or telecommunications carrier.	RAI	Rate Cases
ATC	Approval of transfer of control	REC	Reconciliation cases concerning fuel adjustment clauses and purchases gas adjustment clauses.
CAR	Citation concerning failure to furnish annual report.	RIC	Rate investigation case.
CBL	Complaint concerning billings, unfair charges, overcharges, complaint as to charges, and complaint as to billing for service.	RUL	Rulemaking
CCN	Application for a certificate of public convenience and necessity or certificate of service authority.	SDW	Solid waste energy facility qualification
CIC	Commission investigative case.	TDD	Telecommunication device for the deaf
CIT	Miscellaneous citation proceeding.	TRF	Tariff/Contract filings (Not gen. Rate case)
CMP	Complaint other than billing or service.	911	application under "9-1-1" (emergency phone number).
CSR	Complaint as to service.		

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***(ii) a description of the allocation of the Commission's budget, identifying amounts budgeted for each significant regulatory function or activity and for each department, bureau, section, di-vision, or office of the Commission and its employees.***

***(iii) a description of current employee levels, identifying any change occurring during the year in the number of employees, personnel policies, and practices or compensation levels; and identifying the number and type of employees assigned to each Commission regulatory function and to each department, bureau, section, division, or office of the Commission.***

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The table on the following page shows the Commission's budget and authorized headcount by divisions and funding source.

**TABLE 1-3**  
**Budget and Headcount by Division**  
**Fiscal year 1998**

Division	Public Utility Fund		Transportation Regulatory Fund		General Revenue Fund		Totals	
	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$
Chairman & Commissioners	14	995,400	1	86,300	-	-	15	1,081,700
Public Utilities	218	15,210,500	-	-	-	400,000	218	15,610,500
Transportation	-	-	80	7,594,500	-	-	80	7,594,500
Single State Registraton	-	-	-	8,000,000	-	-	-	8,000,000
Totals	232	16,205,900	81	15,680,800	-	400,000	313	32,286,700

Head count is shown at the authorized level.  
Budget \$ shown represent the FY98 appropriation.

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***(1-d) a description of any significant changes in Commission policies, programs or practices with respect to agency organization and administration, hearings and procedures or substantive regulatory activity.***

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#### **AGENCY ORGANIZATION AND ADMINISTRATION**

On November 1, the Controller's Office and the Budget office were combined to form the Financial Information Section.

In December a new Energy Division was created. This division encompasses the former ICC Office of Policy and Planning and the Energy Programs Division as well as the electric and gas engineering sections of the Public Utilities Division. Along with the combining of OPP and EPD, Executive Director Charles Fisher announced that the Public Utilities Division will be called the Financial Analysis Division and will continue to coordinate the Commission's water utility and gas pipeline safety responsibilities as well as continue to perform its numerous and varied financial work.

# **SECTION 2**

## **A Discussion of the Utility Industry in Illinois**

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**2. A discussion and analysis of the state of each utility industry regulated by the commission and significant changes, trends and developments therein, including the number of types of firms offering each utility service, existing, new and prospective technologies, variations in the quality, availability and price for utility services in different geographic areas of the State, and any other industry factors or circumstances which may affect the public interest or the regulation of such industries.**

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## **SIGNIFICANT CHANGES AND TRENDS IN THE UTILITY INDUSTRY**

For a discussion of changes and trends in the natural gas and electric power industry, see Section 8 of this report.

## **DISCUSSION OF THE QUALITY, AVAILABILITY, AND PRICE OF UTILITY SERVICES BY GEOGRAPHIC AREA**

### **ELECTRICITY**

Electric service to retail customers is provided in the State of Illinois by the following nine investor-owned public utilities.

Central Illinois Light Company  
Central Illinois Public Service Company  
Commonwealth Edison Company  
Illinois Power Company  
Interstate Power Company  
MidAmerican Energy Company  
Mt. Carmel Public Utility Company  
South Beloit Water, Gas and Electric Company  
Union Electric Company

On December 31, 1997, CIPSCO Inc., the parent company of Central Illinois Public Service Company, completed its merger with Ameren Inc., the parent company of Union Electric Company. As a result of the merger, Central Illinois Public Service Company and Union Electric Company became wholly owned subsidiaries of Ameren Inc., which is a registered public utility holding company.

Also pending at year end is the merger of Interstate Power Company, Wisconsin Power and Light Company, and IES Industries. The three companies still need approval of the Securities and Exchange Commission before this merger can be closed. When the merger is completed, these three utilities will become wholly owned subsidiaries of Interstate Energy Corporation, a registered public utility holding company. South Beloit Water, Gas and Electric Company, which is a wholly owned subsidiary of Wisconsin Power and Light Company, will not be affected by the merger.

Electric service is also provided in Illinois through municipal systems and electric cooperatives, neither of which is regulated by the Commission. Data as to the quality, availability, and price of electric service are not reported to the Commission by these providers and will not be a subject of this report.

## Northern Illinois

Electricity is sold in northern Illinois by four electric utilities: Commonwealth Edison Company, Interstate Power Company, MidAmerican Energy Company, and South Beloit Water, Gas and Electric Company. Commonwealth Edison Company is by far the largest Investor-owned electric utility in Illinois, serving 3,395,835 customers in 396 communities. Included in its service territory is the Chicago metropolitan area. MidAmerican Energy Company provides service to 83,590 customers in 42 communities in northwestern Illinois. Interstate Power Company has 10,932 customers in 13 communities also in northwestern Illinois. South Beloit Water, Gas and Electric Company provides electrical service to 7,076 customers in 8 communities adjacent to the Wisconsin border.

Current installed capacity of the four utilities is sufficient to provide reliable service. However, continuing shutdowns of four commode nuclear units and the possibility of additional nuclear unit shutdowns could severely test commode's ability to provide uninterrupted service for the summer of 1998. commode has six units on the NCR's watch list with another two cited for declining performance. ComEd is actively reinforcing its transmission system to increase import capability if it is needed.

The price of electricity sold by these four utilities varied among utilities and within utilities depending upon the class of customer served. Table 2-1 on page 10 shows detailed price per kWh information for all electric utilities under ICC jurisdiction.

The average price per KWh for 1991-1996 for the four utilities is as follows:

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Commonwealth Edison	7.92¢	7.91¢	7.39¢	7.32¢	7.49¢	7.53¢
MidAmerican	6.86	6.84	5.76	6.18	6.60	5.47
Interstate Power	5.19	5.12	5.12	4.95	5.02	4.75
South Beloit	4.79	4.98	4.94	4.79	4.58	4.30

## Central Illinois

Electric service is provided to central Illinois by three Investor-owned electric utilities: Central Illinois Public Service Company (CIPS), Illinois Power Company (IP), and Central Illinois Light Company (CILCO). CIPS and IP also provide service to southern Illinois. CILCO serves 193,589 customers in central Illinois in the Peoria area and 108 other communities. CIPS provides service to 561 communities across central and southern Illinois with a total customer population of 320,413. IP serves 557,686 customers in 421 Illinois communities in central and southern Illinois.

No major power outages occurred in the central Illinois area in 1997.

Illinois Power Company's Clinton nuclear plant is on the NCR's watch list and could possibly be shutdown for the summer of 1998. This could severely test Illinois Power's ability to provide reliable service this summer. Illinois Power's Wood River plants are all back online from last year's fire. The combination of Illinois Power and ComEd shutdowns threatens reliable service for the entire state.

The average price per Kwh for 1991-1996 for the three utilities is as follows:

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
CILCO	5.42¢	5.32¢	5.46¢	5.35¢	5.47¢	5.15¢
CIPS	5.66	5.58	4.68	4.89	4.97	4.93
IP	6.07	6.38	5.61	5.79	6.15	5.76

**TABLE 2-1**  
**ILLINOIS ELECTRIC UTILITIES**  
**REVENUE PER KWH BY CLASS OF SERVICE BY COMPANY**  
**1996**  
**(CENTS)**

<u>CLASS OF SERVICE</u>	<u>CILCO</u>	<u>CIPS</u>	<u>COMED</u>	<u>ILL POWER</u>	<u>INTER- ST PWR</u>	<u>MID AMER</u>	<u>MT. CARMEL</u>	<u>SOUTH BELOIT</u>	<u>UNION ELEC</u>
RESIDENTIAL SALES	7.10	8.01	11.39	10.10	6.55	9.61	6.86	5.80	7.42
LARGE (INDUSTRIAL)	3.72	4.67	6.05	4.24	3.83	4.36	5.49	3.43	3.03
SMALL (COMMERCIAL)	6.46	6.77	8.41	8.16	6.44	6.96	7.54	5.15	5.46
PUBLIC STREET & HIGHWAY LIGHTING	5.12	5.94	6.84	6.93	14.92	9.25	0.00	10.05	8.94
OTHER SALES TO PUB- LIC AUTHORITIES	0.00	5.72	6.86	6.82	4.45	5.95	5.89	0.00	0.00
SALES TO RAILROADS AND RAILWAYS	0.00	0.00	6.99	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL SALES TO UL- TIMATE CUSTOMERS	5.58	6.54	8.39	6.76	4.94	6.99	6.02	4.38	4.21
SALES FOR RESALE	2.01	2.70	1.93	2.52	2.63	1.89	3.66	1.53	0.00
INTERDEPARTMENTAL SALES	6.97	2.60	0.00	0.00	20.13	0.00	0.00	6.86	0.00
TOTAL SALES OF ELECTRICITY	5.15	4.93	7.53	5.76	4.75	5.47	5.98	4.30	4.21

## Southern Illinois

Much of southern Illinois is served by CIPS and IP. Service areas for these companies were discussed in the previous section concerning central Illinois. Customer and price statistics given above include southern Illinois and will not be repeated in this section. Two other utilities will be discussed, as they operate only in southern Illinois.

Missouri-based Union Electric Company (UE) provides electric service to 63,224 customers in 17 communities in southwestern Illinois. Mt. Carmel Public Utility Company serves 5,665 customers in 2 communities in southeastern Illinois.

No major power outages occurred in the southern Illinois area in 1997.

The average price per Kwh for 1991-1996 for the two utilities is as follows:

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
UE	4.73¢	4.51¢	4.63¢	4.26¢	4.29¢	4.21¢
Mt. Carmel	6.12	5.95	5.79	5.66	5.62	5.98

## NATURAL GAS

Natural gas service is currently provided in the State of Illinois by the 14 investor-owned gas public utilities listed below:

- Central Illinois Light Company
- Central Illinois Public Service Company
- Consumers Gas Company
- Illinois Gas Company
- Illinois Power Company
- Interstate Power Company
- MidAmerican Energy Company
- Mt. Carmel Public Utility Company
- North Shore Gas Company
- Northern Illinois Gas Company
- Peoples Gas Light and Coke Company
- South Beloit Water, Gas and Electric Company
- Union Electric Company
- United Cities Gas Company (a division of Atmos Energy Corp.)

During the year, United Cities Gas Company merged with Atmos Energy Corporation. The merger of Central Illinois Public Service Company with Ameren, Inc. and the pending merger of Interstate Power Company, Wisconsin Power and Light Company, and IES Industries is discussed under electricity companies on page 8.

Additional gas service is provided in Illinois by municipal gas systems not subject to regulation by the ICC. For this reason, data concerning quality, availability, and price are not available to the ICC and therefore are not considered in this document.

## Northern Illinois

Gas distribution and sale of natural gas is provided in northern Illinois by six public utilities as follows: Northern Illinois Gas Company, Peoples Gas Light and Coke Company, Interstate Power Company,

South Beloit Water, Gas and Electric Company, MidAmerican Energy Company, and North Shore Gas Company.



**TABLE 2-2**  
**ILLINOIS GAS UTILITIES**  
**REVENUE PER THERM BY CLASS OF SERVICE BY COMPANY**  
**1996**  
**(CENTS)**

<u>CLASS OF SERVICE</u>	<u>CIPS</u>	<u>CONS GAS</u>	<u>ILL GAS</u>	<u>IP</u>	<u>INTER ST PWR</u>	<u>MID AMER</u>	<u>MT CARMEL</u>	<u>NORTH SHORE</u>	<u>NO ILL GAS</u>	<u>PEOPLES GAS</u>	<u>SOUTH BELOIT</u>	<u>UNION ELECT</u>	<u>UNITED CITIES</u>
<u>Residential Sales</u>													
Without Space Heating	105.41	0.00	72.28	63.19	76.19	103.04	53.39	79.31	89.98	122.50	48.97	57.17	0.00
With Space Heating	60.33	58.11	57.18	50.44	51.54	52.62	45.93	57.78	41.97	60.23	46.88	50.83	59.96
<u>Commercial and Industrial Sales</u>													
Without Space Heating (Incl Seasonal Sales)	80.71	0.00	45.74	39.16	46.05	44.35	50.14	56.85	34.83	58.87	44.63	43.59	0.00
With Space Heating	53.06	50.96	50.66	44.66	49.19	48.32	40.71	52.10	41.53	54.00	43.84	44.84	52.85
Interruptible	31.53	0.00	42.74	0.00	33.63	0.00	0.00	0.00	0.00	0.00	27.35	32.87	45.42
Other Sales To Public Authorities	0.00	50.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57.53
Total Gas Sales To Ultimate Customers	57.16	55.42	52.68	47.57	49.98	50.89	44.14	56.97	41.84	60.66	44.44	48.01	57.67
Interdepartmental Sales	36.52	0.00	0.00	31.80	54.43	67.17	0.00	0.00	0.00	0.00	50.37	0.00	0.00
Sales For Resale	0.00	46.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Gas Sales	57.16	54.59	52.68	47.37	49.99	50.90	44.14	56.97	41.84	60.66	44.44	48.01	57.67

Northern Illinois Gas Company is the largest gas distribution company in the state providing service to 1,824,062 customers in 545 communities in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, is the second largest gas utility in Illinois with 829,351 customers. North Shore Gas Company serves 132,120 gas customers in 56 communities north of the Chicago area. Of the remaining three companies serving northern Illinois, MidAmerican Energy Company is the largest with 64,568 customers in 27 communities. Interstate Power Company serves 5,100 customers, and South Beloit Water, Gas and Electric Company serves 5,190 customers.

During 1997, natural gas service was available without major interruption to customers in the northern Illinois area. A considerable number of commercial and industrial customers chose to purchase gas directly from wholesale suppliers and use the local gas utility as a transporter. During 1998, sufficient supplies of natural gas are expected to be available to all customers.

As with the price of electricity, the price of gas varies among utilities and is generally determined by the supplier of natural gas that serves the local distribution company. Table 2-2 on page 12 shows price per therm by customer class for the Illinois gas utilities. For the northern Illinois utilities, the average price per therm for 1991-1996 is as follows:

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
No. IL Gas	38.03¢	40.87¢	44.06¢	43.28¢	36.63¢	41.84¢
MidAmerican	39.15	41.03	45.74	48.61	43.07	50.90
Interstate Pwr.	45.69	55.69	59.31	53.34	48.74	49.99
North Shore Gas	52.68	54.12	61.74	63.07	50.30	46.97
South Beloit	40.33	55.06	49.76	48.96	45.52	44.44
Peoples Gas	56.19	56.72	64.90	65.04	53.16	60.66

### **Central Illinois**

Gas service is provided in central Illinois by three large distribution companies: Central Illinois Light Company, Central Illinois Public Service Company, and Illinois Power Company. CILCO provides gas service to 199,535 customers in 126 communities, the two largest being the Peoria and Springfield metropolitan areas. CIPS serves mostly rural areas in central and southern Illinois, providing service to 260 communities with a total customer population of 166,561. IP provides gas service to 392,533 customers in various parts of the state, ranging from Galesburg in west-central Illinois to areas in southwestern Illinois and including the East St. Louis metropolitan area.

During 1997, these three utilities provided continuous gas service without extended interruptions to firm customers. A number of large commercial and industrial customers of these utilities have started buying gas directly from wholesale gas producers. This action makes additional gas supplies available to those customers remaining on the local distribution system. Adequate gas supplies to all firm retail customers should continue to be available. In addition, new customers should have no problem securing gas supplies during 1998.

The average price per therm for the three utilities for 1991-1996 is as follows:

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
CIPS	54.08¢	59.48¢	54.04¢	55.34¢	53.76¢	57.16¢
Illinois Power	47.96	44.77	50.41	49.35	43.07	47.37
CILCO	52.33	52.223	50.33	50.84	46.48	53.08

## Southern Illinois

Gas service is provided in southern Illinois by two large distribution companies; CIPS and IP discussed earlier, and the following five smaller distribution companies: Consumers Gas Company, Illinois Gas Company, Mt. Carmel Public Utility Company, Union Electric Company, and United Cities Gas Company.

Of these five, Union Electric, Illinois Gas and United Cities provide gas service to more than 10,000 customers. Union Electric serves 18,143 customers in the Alton metropolitan area in southwestern Illinois, Illinois Gas serves 10,276 customers in the Lawrenceville-Olney area, and United Cities provides service to 24,884 customers in a number of distinct service areas in southern Illinois.

During 1997, gas service to existing customers was adequate and without major interruption. For 1998, uninterrupted service is expected to continue, and it is anticipated that new customer demands can also be accommodated.

The average price per therm for the six utilities for 1991-1996 is as follows:

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Consumers Gas	44.44¢	41.95¢	47.99¢	49.26¢	45.67¢	54.59¢
Illinois Gas	46.01	50.02	50.48	47.35	43.80	52.68
Mt. Carmel	41.87	39.42	45.65	48.07	47.86	44.14
Union Electric	52.64	42.55	49.37	49.09	42.05	48.01
United Cities	55.89	54.88	54.37	41.82	52.44	57.67

## WATER & SEWER UTILITIES

The Commission currently regulates 35 water, 6 sewer, and 14 combined water and sewer investor-owned utilities, two less than at the start of 1997. While the number of regulated utilities is a small percentage of the 1,880 public water suppliers and 750 public sanitary sewage systems with treatment facilities in the state, the investor owned utilities provide water service to almost 1 million people. The investor owned utilities are located in 34 counties concentrated in the Chicago Metropolitan area with the number of customers served ranging from 22 to 145,000. Only eight utilities serve more than 1,000 customers.

The reduced number of regulated water and sewer utilities is partly the result of the overall Commission effort to reduce the number of small utilities. Small systems, due to their limited number of customers, typically have difficulties generating sufficient revenues to hire employees with the necessary expertise to function as a regulated utility.

The Commission has found that, in most cases, customers receive better service at lower rates from larger utilities due to the economies of scale that are realized. The Commission has promoted acquisition of small systems by larger municipally and investor-owned utilities and the merger of smaller systems into larger operations to take advantage of these economies of scale. When acquisitions and mergers are not practical, the possibility of the very small systems being operated as a mutual by a homeowners association is investigated. Mutual operations, which are exempt from Commission jurisdiction, often result in lower costs to customers for very small systems. For 1997, the two utilities no longer regulated were acquired by a municipalities.

During 1997, a request for the privatization of a municipal water system was granted. Northern Illinois Water Corporation reached an agreement with the Village of St. Joseph and purchased the water system owned by the Village. Northern now serves that area through an extension of a water main from its Champaign/Urbana system.

Nationally, there is a trend toward privatization of municipally-owned water/sewer systems. While there has been some interest in this area in Illinois, Northern's agreement with St. Joseph is the first privatization of a water system serving an incorporated municipality in more than twenty years although several water districts have been purchased in the last few years by investor-owned utilities.

Most of the larger water utilities regulated by the Commission serve municipalities adjacent to the state's major rivers, and the utilities use those rivers as their source of water supply. River supplies are generally adequate and the water, when treated, meets the criteria established by the Illinois Environmental Protection Agency except for nitrate levels in some rivers and wells which exceed the standards during periods of heavy water run-off from agricultural lands.

Northern Illinois Water Corporation is continuing a project in the Streator area to discuss the application of nitrogen based fertilizer with the farming community in an effort to reduce the introduction of nitrogen into the streams tributary to the Vermilion River. That project seems to be a success since the nitrate levels in the river have decreased and for three years the nitrate levels in finished water have been below the maximum standards. If this program is not successful and Northern must install treatment equipment to remove nitrates from the raw water, a substantial increase in the water rates charged to customers in the Streator system would result.

Consumers Illinois Water Company, Danville Division, has periodically experienced levels of nitrates in the raw water in excess of the maximum allowed by the Environmental Protection Agency and is conducting extensive studies to determine the least costly solution to resolving the problem. Possible solutions include test wells to locate a source of ground water to blend with its lake water supply in an attempt to reduce nitrate concentrations below the maximum standard. Another possible solution is the acquisition of land to allow side channel storage that can be filled from the river when nitrate levels are low. Water could then be withdrawn from this storage to blend with raw river water when the nitrate levels exceed the standard. Also being considered is treatment of the water to reduce nitrate levels to an acceptable level.

Illinois-American received a certificate of convenience and necessity to construct a 13.5 mile water main extension to eliminate the use of wells in the Rome area and in several areas west of Chillicothe that were experiencing high nitrate levels.

Most smaller systems serve unincorporated residential developments - often a single subdivision - and are typically located in the northern half of the state. Wells serve as the source of supply for most small systems. Well water quality varies considerably and can contain undesirable minerals such as iron, manganese and calcium that, while not injurious to health, do cause aesthetic problems. Aesthetic problems have caused several utilities located in the Chicago metropolitan area to obtain Lake Michigan water.

Citizens Water Resources Corporation has filed a petition for a certificate to construct an eighteen mile pipeline to transport Lake Michigan water from Bedford Park to its affiliate, Citizens Utilities Company of Illinois, for distribution to its Bolingbrook and Homer Township service areas and to the Village of Bolingbrook for distribution to customers in the village-owned portion of the Bolingbrook water system. Citizens also hopes to convince a number of other municipalities in Will county, located generally south of Bolingbrook, to take service from the pipeline.

Because of the substantial costs involved in obtaining lake water, customers are polled to determine whether they are willing to pay the cost of obtaining that water in cases where lake water is sought to eliminate aesthetic problems. In virtually every instance where lake water is available, customers vote overwhelmingly in favor of efforts to acquire such a supply in spite of the substantially increased cost which often is about \$3.00 per 1,000 gallons.

Table 2-3

**ILLINOIS COMMERCE COMMISSION  
COMPARISON OF WATER BILLS OF ILLINOIS PUBLIC WATER UTILITIES  
FOR CUSTOMERS WITH 5/8" METERS  
UTILITIES WITH 1,000 OR MORE CUSTOMERS**

				WATER USAGE				
				4,000	6,000	8,000	10,000	15,000
	<u>UTILITY</u>	<u>DISTRICT</u>	<u>NUMBER OF CUSTOMERS</u>	<u>GALLONS</u>	<u>GALLONS</u>	<u>GALLONS</u>	<u>GALLONS</u>	<u>GALLONS</u>
NORTHERN	Citizens Utilities	Well Water	17,900	\$18.46	\$23.14	\$27.82	\$32.50	\$44.20
		Lake Water	18,675					
		Alpine Heights	200	27.14	36.16	45.18	54.20	76.75
		Chicago	7,700	26.50	35.20	43.90	52.60	74.35
		Suburban						
		DuPage County	6,800	31.78	43.12	54.46	65.80	94.15
		Fernway	2,000	25.78	34.12	42.46	50.80	71.65
		Moreland	175	17.90	22.30	26.70	31.10	42.10
	Consumers Illinois	Waycinden	1,800	27.22	36.28	45.34	54.40	77.05
		Kankakee	18,452	16.33	19.98	23.63	27.29	36.42
		University Park	1,539	15.41	17.99	20.57	23.15	29.60
	Northern Illinois	Sterling	6,400	17.98	21.69	25.40	29.10	38.37
	Whispering Hills		2,076	17.70	23.98	30.26	36.54	52.24
	South Beloit		1,500	9.73	12.80	15.87	18.93	26.60
CENTRAL	Illinois-American	Peoria	47,589	24.12	29.42	34.71	40.01	53.26
	Northern Illinois	Champaign	41,000	15.28	18.86	22.43	26.01	34.96
	Consumers Illinois	Inter-State	16,694	21.97	27.71	33.44	39.18	53.53
	Illinois-American	Pekin	13,292	20.19	23.84	27.48	31.13	40.24
	Northern Illinois	Streator	7,700	21.67	26.84	32.01	37.19	50.12
	United Water	Lincoln	5,867	21.31	27.76	34.21	40.67	56.80
	Northern Illinois	Pontiac	4,100	23.64	29.67	35.70	41.72	56.79
SOUTHERN	Illinois-American	Southern	84,410	22.33	27.63	32.92	38.22	51.47

Water supplies were generally adequate in 1997 despite a dry summer. The Illinois-American Water Company has selected a location on high ground for a new water treatment plant to replace the Alton water treatment plant which experienced flooding during 1993. Review of that project is currently underway. The utility plans to begin plant construction in 1998.

Only one investor-owned sanitary sewer system provides service to more than 5,000 customers. The other sewer systems are small although one does provide service to a major manufacturing plant. Some of the systems have difficulty meeting the stream discharge standards established by the Illinois Environmental Protection Agency. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest systems have, where possible, sought treatment from nearby regional plants. All sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago (MWRD) discharge their waste to the MWRD for treatment. The investor-owned sewer systems provide service primarily to residential customers and serve a very limited number of commercial and industrial customers.

Table 2-3 on page 16 is a comparison of bills for water usage by utilities providing service to 1,000 customers or more.

Bills for sewer service are typically flat rate charges since metering of sewage flow is uneconomical and impractical for residential customers. The rates vary considerably and depend on many factors, including the age of the treatment plant and treatment criteria for the receiving stream. In some instances, the rates do not reflect the cost of treatment which is ultimately recovered through taxation by a municipal corporation (such as the MWRD). Other utilities have recently completed new treatment plants, and rates in the range of \$40 to \$65 per month reflect the substantial investment in such facilities. Overall, rates for single family homes average \$25-30 per month.

## **FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS**

Bond ratings are the single most comprehensive and widely accepted measure of the financial condition of a business enterprise. Several independent financial research firms provide rating services which categorize corporate debt issues on the basis of risk. Virtually all of the major electric and natural gas utilities serving Illinois have ratings assigned to their bond issues.

There is no formula for determining bond ratings. In assigning ratings to a firm's debt, rating agencies give consideration to both qualitative and quantitative factors. For a public utility, the financial aspects reviewed by rating agencies can be separated into six criteria: debt leverage, construction and asset concentration risks, earnings protection, financial flexibility and capital attraction, cash flow adequacy, and accounting quality. Nonfinancial rating criteria include service territory characteristics, fuel supply and generating capacity, operating efficiency, regulatory treatment, and management.

The table on page 18 shows the nationwide electric utility industry average bond rating, as well as the ratings for the seven major electric utilities serving the State of Illinois. MidAmerican Energy, Union Electric, and Interstate Power have the majority of their operations in other states.

**Electric Utility Bond Ratings by Standard and Poor's  
1992 to Present**

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Nov. 1996</u>
Electric Utility Industry Average	A-	A-	A-	A-	A-	A-
Central Illinois Light Company	AA	AA	AA-	AA-	AA-	AA-
Central Illinois Public Service Co.	AA+	AA+	AA+	AA+	AA+	AA+
Commonwealth Edison Company	BBB+	BBB	BBB	BBB	BBB	BBB
Illinois Power Company	BBB+	BBB+	BBB	BBB	BBB	BBB
Interstate Power Company	A+	A+	A+	A+	A+	A+
MidAmerican Energy ( <i>formerly Iowa-Illinois Gas and Electric Co.</i> )	AA	AA	AA-	A+	A+	A+
Union Electric Company	AA-	AA-	AA-	AA-	AA-	AA-

Like the electric utilities, natural gas distribution companies receive ratings on their debt which reflect of the individual company's financial condition. The table below presents bond ratings for the three major natural gas distribution utilities serving the State of Illinois and the average bond rating for the nationwide natural gas distribution industry.

**Gas Utility Bond Ratings by Standard and Poor's  
1992 to Present**

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Nov. 1996</u>
Gas Distribution Industry Average	A	A	A	A	A	A-
Northern Illinois Gas Company	AA	AA	AA	AA	AA	AA
North Shore Gas Company	AA-	AA-	AA-	AA-	AA-	AA-
Peoples Gas Light & Coke Co.	AA-	AA-	AA-	AA-	AA-	AA-

Currently, none of the water utilities serving the State of Illinois have ratings assigned to their debt.

# **SECTION 3**

## **A Discussion of Energy Planning**



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**(3) A Specific Discussion of the Energy Planning Responsibilities and Activities of the Commission and Energy Utilities Including:**

**(a) the extent to which conservation, cogeneration, renewable energy technologies and improvements in energy efficiency are being utilized by energy consumers, the extent to which additional potential exists for the economical utilization of such supplies, and a description of existing and proposed programs and policies designed to promote and encourage such utilization;**

**(b) "A Description of each Energy Plan filed with the Commission pursuant to the Provisions of this Act and a copy or detailed summary of the most recent energy plans adopted by the Commission."**

**(c) "A Discussion of the Powers by which the Commission is implementing the Planning Responsibilities of Article VIII, including the description of the staff and budget assigned to such function, the procedures by which Commission staff reviews and analyzes energy plans submitted by utilities, Department of Energy and Natural Resources, and any other person or party."**

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**ENERGY PROGRAMS DIVISION  
INTEGRATED RESOURCE PLANNING**

**Integrated Resource Planning Program - Overview**

During 1997, the Commission approved the least cost energy plan for MidAmerican Energy Company.

**Summary of Individual Electric Utility Least-Cost Plans**

As required by Section 8-402 of the Public Utilities Act, six electric utilities filed their Least-Cost Plans with the Commission in July of 1995. A final Order was approved by the Commission for three plans in 1996 (Commonwealth Edison Company [Docket 95-0338], Illinois Power Company [Docket 95-0339], and Central Illinois Light Company [Docket 95-0336]) and one plan in 1997 (MidAmerican Energy Company [Docket 95-0340]). The Governor signed House Bill 362 on December 16th, 1997. This historic legislation to deregulate Illinois' electric utilities also removes Section 8-402 of the Public Utilities Act making the filing of Least Cost Plans by Central Illinois Public Service [Docket 95-0337] or Union Electric [Docket 95-0341] a moot issue.

**MidAmerican Energy Company** (MEC - Docket 95-0340): On July 27, 1994, Iowa-Illinois Gas and Electric (IIGE) announced its intention to merge with Midwest Resources, Inc. of Des Moines, Iowa, to form MidAmerican Energy Company or MEC.

IIGE filed its Least-Cost Plan with the Commission on June 29, 1995. Earlier in the year IIGE (Docket 95-0144) asked the Commission for a waiver of the LCP requirements until the merger was approved. On July 19, 1995, the Commission issued an interim order whereby the filing of the MEC LCP was scheduled for April 1, 1996, and Dockets 95-0144 and 95-0340 were consolidated.

MEC filed its 1995 Electric Energy Plan on April 1, 1996. Staff and DNR filed Direct Testimony August 13, 1996 and Rebuttal Testimony September 24, 1996. An evidentiary hearing was held on October 30, 1996. At a status hearing on December 11, 1996, MEC, DNR, and Staff represented that they had substantive agreement on the outstanding issue but no joint draft order ready to present to the Hearing Examiner. A final hearing was held on February 19, 1997, where all parties represented that they had reviewed a final draft order and had no exceptions or objections to the substantive contents therein. The final order was approved by the Commission on March 12th, 1997.

**Central Illinois Public Service Company (CIPS - Docket 95-0337) and Union Electric Company (UE - Docket 95-0341):** CIPS and UE each filed their 1995 Electric Energy Plans on July 5, 1995. A merger involving Union Electric Company and CIPS was announced on August 14, 1995. A Motion to Suspend Consideration of CIPS' and UE's Electric Energy Plans was filed shortly thereafter by IIEC. This suspension discussed the plan for UE and CIPS to form a holding company, Ameren, with CIPS serving the Illinois customers that are currently served by UE. The motion closed by requesting the Least Cost Plan proceeding be suspended until the merger proceeding is completed, and that CIPS and UE be ordered to file an update to their 1995 LCPs within 60 days of the completion of the merger proceeding. The Governor signed House Bill 362 on December 16th, 1997. This historic legislation to deregulate Illinois' electric utilities also removed Section 8-402 of the Public Utilities Act making the filing of Least Cost Plans by CIPS or UE a moot issue.

**Central Illinois Public Service Company (CIPS) and Union Electric Company (UE) merger to form Ameren** (Docket 95-0551): On November 6, 1995, CIPS and UE filed a joint application with the Commission seeking approval of their merger to form Ameren. Staff, CUB, and IIEC submitted Direct Testimony on March 1, 1996, and Rebuttal Testimony on April 15, 1996. Hearings were held April 29 - May 2, 1996 in Springfield.

Among the various issues Staff had with the Applicants' filing, Staff took issue with the proposed transfer of UE's current Metro East St. Louis customers to CIPS. Originally the Applicants asked the Commission for a determination of prudence for a proposed System Support Agreement (SSA), with CIPS entering into a 30-year wholesale contract with UE. FERC would have jurisdiction over such an agreement. In their Rebuttal Testimony, the Applicants agreed to amend the SSA to provide for two contract periods totaling ten years: a five-year fixed period followed by a five-year phase-out period. This amended agreement was described as the SSA Alternative. Staff took issue with each of these agreements.

Staff analyses demonstrated that it would not be prudent to enter into either of the SSAs in today's electric environment. This analysis indicated that CIPS could serve the transferred Metro East electric load through less costly resources than the SSA Alternative, such as purchased power and/or combined-cycle units. A HEPO was submitted November 7, 1996. On January 27th, 1997, the Commission, on its own motion, reopened the record in this proceeding to receive testimony concerning market power issues. On February 18th, 1997, Applicants filed a motion asking the Commission to reconsider its order reopening the record and to grant consent, authority and approval for the merger. This motion was denied by the Commission on March 3rd, 1997.

On March 3rd, 1997, the Commission entered an order expanding the scope of the reopened record to address the terms and conditions of the Applicants' proposed General Services Agreement (GSA) and potential loss of jurisdiction to the Securities and Exchange Commission (SEC). Instructions to the parties regarding the GSA issues to be addressed on reopening were set forth in a March 4th, 1997, memorandum from Commissioner Kretschmer to the Hearing Examiner that was forwarded to the parties. An evidentiary hearing was held on June 2nd, 1997, regarding the issues on reopening. A second HEPO was subsequently served on the parties. On September 10th, 1997, the Commission entered an order approving the merger. The Commission also ordered a follow-up rate case to make certain that

ratepayers shared in the benefits of the merger. However, the legislation to deregulate Illinois' electric utilities barred the Commission from enforcing that part of the order.

On December 31, 1997, CIPSCO Inc., the parent company of Central Illinois Public Service Company, completed its merger with Ameren Inc., the parent company of Union Electric Company. As a result of the merger, Central Illinois Public Service Company and Union Electric Company became wholly owned subsidiaries of Ameren Inc., which is a registered public utility holding company.

**ComEd Sale of Kincaid and State Line Generating Stations** (Docket 96-0245/8): On May 13, 1996, Commonwealth Edison Company (ComEd) filed with the Commission two petitions seeking approval of transactions which included the sale(s) of the Kincaid and State Line Generating Stations. CUB, IIEC, City of Chicago and the Attorney General's office (collectively referred to as Governmental and Consumer parties (GCP)), and Staff submitted Direct Testimony on August 7, 1996. Rebuttal testimony was submitted by ComEd on August 23, 1996, and by Staff and the Intervenors on September 27, 1996. Hearings were held in Chicago October 7-11, 1996. The HEPO was received on November 27, 1996. The Commission heard oral arguments from the parties on January 21, 1997.

Of the various issues raised, Integrated Resource Planning Staff addressed two items. Staff presented a methodology for business valuation that assumed that the fair market value is best represented by an estimate of the present value of future net cash flows. The Commission could use this method to determine and record the fair market value of the plants if ComEd was unable to determine the fair market value of the plants through an independent appraisal.

Staff also addressed the overall prudence of the transactions. Staff's conclusion was, in summary, if traditional regulation were to continue indefinitely, the transactions would not be prudent and should not be approved. However, Staff concluded that traditional regulation of utility generation assets will end before 2011, and thus recommended approval of the transactions.

On March 31st, 1997, the Commission gave its consent and approval for the sales of Kincaid and State Line generating stations on the condition that a docket proceeding with respect to stranded cost recovery should be initiated within 90 days after a state or federal law becomes effective that restructures the electric industry and provides for any form of stranded cost recovery by ComEd.

### **The Fourth Statewide Electric Plan**

As required by Section 8-402 of the PUA, and the Commission's Least-Cost Planning Rules, the Department of Energy and Natural Resources (DENR) filed a three-volume document entitled the Illinois Statewide Electric Utility Plan on February 14th, 1997. On July 21st, 1997, Joint Exhibit No. 1, which set forth the Stipulations of all parties who appeared at that hearing including a suggested order, was entered into the record. On October 14th, 1997, a HEPO was sent to all parties. The Governor signed House Bill 362 on December 16th, 1997. This legislation to deregulate Illinois' electric utilities also removes Section 8-402 of the Public Utilities Act, making the filing of Statewide Electric Utility Plans a moot issue.

### **DEMAND-SIDE MANAGEMENT COST RECOVERY**

In 1993, the Illinois Appellate Court reversed the Commission's Order authorizing ComEd's DSM cost recovery under Rider 22 (Finkl Decision). After considering the implications of this reversal on all utility DSM cost recovery, the Commission decided to order a limited number of utilities to show cause why their demand-side adjustment (cost recovery) clauses (DSACs) are not unjust, unreasonable, discriminatory or preferential, and not in violation of any provisions of law. The Orders also directed that at the close of each proceeding, the Commission will determine whether the DSACs should be canceled or will be allowed to remain in effect in their current form or with modification.

Dockets 95-0145 (CIPS), 95-0155 (MEC), and 95-0156 (UE) were all consolidated, briefs filed and reviewed by a hearing examiner in a February 28, 1996, status hearing. The dockets were again split when it was determined that each would be resolved differently.

Docket 95-0145 (CIPS): A Commission order was entered September 25, 1996, directing CIPS to partially refund some of its DSAC collections.

Docket 95-0155 (MEC): On April 14, 1997, MEC filed tariff sheets to discontinue collection under Riders 5 and 6 effective June 1, 1997. In its order on July 9, 1997, the Commission found that MEC properly filed revised tariff sheets April 14, 1997, to discontinue Riders 5 and 6 effective June 1, 1997, and that no refunds or adjustments should be required.

Docket 95-0156 (UE): On December 9, 1996, UE filed revised tariff sheets to discontinue collection under Rider Q effective January 25, 1997. In its order on May 7, 1997, the Commission found that UE properly filed revised tariff sheets December 9, 1996, to discontinue Rider Q, which became effective January 25, 1997, and that no refunds or adjustments were necessary.

## **COGENERATION**

### **Commission Rule**

The rules for the transfer of electric power between independent generating facilities and regulated electric utilities in Illinois are established by 83 Ill. Adm. Code Part 430. All utilities operating in Illinois must abide by these rules except for cooperatives and municipal utilities which are not regulated by the Commission.

The most important portion of the rules is the requirement that a utility must purchase cogenerated power at a price commensurate with the utility's avoided cost. Table 3-1 on page 24 lists 1997 avoided costs as filed annually each June by Illinois electric utilities.

### **Current Status**

Section 8-403 of the Public Utilities Act requires the Commission to conduct a study of procedures and policies to encourage the full and economical utilization of cogeneration and small power production. Pursuant to Section 8-403, the Commission submitted reports to the Governor and General Assembly in 1986 and 1987.

As energy costs go up, sales of cogenerated energy are likely to rise. Current installed capacity of the state's utilities is sufficient to provide reliable service. However, continuing shutdowns of four ComEd nuclear units and the possibility of additional nuclear unit shutdowns could severely test ComEd's ability to provide uninterrupted service for the summer of 1998. ComEd has six units on the NRC's watch list with another two cited for declining performance. ComEd is actively reinforcing its transmission system to increase import capability if it is needed.

Illinois Power Company's Clinton nuclear plant is on the NRC's watch list and could possibly be shutdown for the summer of 1998. This could severely test Illinois Power's ability to provide reliable service this summer. Illinois Power's Wood River plants are all back online from last year's fire. The combination of Illinois Power and ComEd shutdowns threatens reliable service for the entire state and could lead to rising energy costs. Thus, the production of energy through cogeneration is likely to increase in the near term.

### **Special Rates**

Cogeneration/self generation displacement and deferral rates can be in the form of special contracts or designed as tariffs. In each case the Commission's position has been to promote economic cogeneration or self generation, while avoiding uneconomic bypass of the utility's system. When the cogeneration or self generation discount rate brings a customer's individual rate closer to the utility's marginal cost of providing service, uneconomic bypass is less likely to occur.

**TABLE 3-1**  
**Avoided Cost Rate Structure of Illinois Electric Utilities (1)**  
(June 1997)

		Summer Rates	Winter Rates
Central Illinois Light	On-Peak	1.70¢/Kwh	1.52¢/Kwh
	Off-Peak	1.36¢/Kwh	1.36¢/Kwh
Central Illinois Public Service	On-Peak	2.375¢/Kwh	2.719¢/Kwh
	Off-Peak	1.715¢/Kwh	2.116¢/Kwh
Commonwealth Edison	On-Peak	2.24¢/Kwh	2.29¢/Kwh
	Off-Peak	0.88¢/Kwh	1.10¢/Kwh
Illinois Power	On-Peak	2.04¢/Kwh	1.90¢/Kwh
	Off-Peak	1.07¢/Kwh	1.45¢/Kwh
Interstate Power	On-Peak	2.596¢/Kwh	2.340¢/Kwh
	Off-Peak	1.572¢/Kwh	1.589¢/Kwh
MidAmerican Energy	On-Peak	1.49¢/Kwh	1.35¢/Kwh
	Off-Peak	1.11¢/Kwh	1.12¢/Kwh
Mt. Carmel Public Utility	On-Peak	1.84¢/Kwh	1.84¢/Kwh
	Off-Peak	1.84¢/Kwh	1.84¢/Kwh
South Beloit Water Gas & Electric	On-Peak	2.17¢/Kwh	2.17¢/Kwh
	Off-Peak	1.33¢/Kwh	1.33¢/Kwh
Union Electric	On-Peak	2.22¢/Kwh	1.82¢/Kwh
	Off-Peak	1.25¢/Kwh	1.32¢/Kwh

Source: Annual Filings of Illinois electric utilities pursuant to 83 Ill. Adm. Code 430.110.

- (1) Time differentiated rate pricing is shown at transmission or subtransmission levels where possible; additional credits available at lower voltages, loads, and times (except for Mt. Carmel). See each utility filing for exact avoided energy costs under specific conditions.

# **SECTION 4**

## **Availability of Utility Services to All Persons**

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**(4) A discussion of the extent to which utility services are available to all Illinois citizens including:**

**(a) Percentage and number of persons or households requiring each such service who are not receiving such service, and the reasons therefore, including specifically the number of such persons or households who are unable to afford such service.**

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The information necessary to determine the number of persons lacking utility service within the state is difficult to obtain. Part of the difficulty is that all utility companies within the state track accounts by residence and not by customer name. Thus a utility could determine if a particular residence was disconnected and therefore no longer receiving service, but the utility would have no way of knowing whether that household regained service under another name in its own service territory or perhaps under the same name in a different service territory. In addition, persons disconnected might also move in with an acquaintance already receiving service or they might acquire service supplied by an electric co-operative or municipality over which we have no jurisdiction. Further, if the intent of the question is to ascertain the number of persons without access to a source of heat, the existence of non-utility sources such as wood stoves and kerosene heaters would further complicate the answer, thus the myriad of possibilities makes a truly accurate figure very elusive.

Although the Commission has limited resources available to determine the number of persons within the state lacking some type of utility service, and granting the uncertainty in accuracy of such a statistic, an estimate may be obtained by analyzing the disconnection and reconnection data provided to the Commission by all utilities.

To determine a rough estimate of the number of persons lacking utility service, one can look at the aggregate disconnection/reconnection figures for a 12-month period. The results for the period of December 1996 through November 1997 are as follows.

The average total residential class customer base equaled 6,800,242 households. In this class 299,261 accounts were disconnected and 179,058 were reconnected. This yields a 59.8 percent reconnection rate leaving 120,203 accounts not reconnected. The disconnected accounts represent 4.4 percent of the average residential customer base, while those accounts not reconnected represent a rate of 1.77 percent.

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**(4-b) a critical analysis of existing programs designed to promote and preserve the availability and affordability of utility services.**

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The Commission is aware of its obligations to minimize the dangers arising from unnecessary termination of gas and/or electric space heating service during the winter months. To minimize these dangers and be responsive to the needs of both Illinois consumers and the utilities which serve those consumers, the Commission has developed rules and regulations concerning the termination and reconnection of space heating service during the winter months. Many of these rules have since been enacted into law. In addition, the Commission has continued to refine its other rules regarding utility credit and collection activities to help Illinois utility consumers make timely payments on their obligations to utility companies and thus avoid termination of utility service. The following discussion is a synopsis of

current regulations designed to promote and preserve the availability and affordability of residential utility services.



## **Temperature-Based Termination**

If gas or electric service is the only source of space heating or if electricity is used to control the only space heating equipment such as an electric blower fan on a gas furnace, these services may not be disconnected on any day when the National Weather Service forecasts that the temperature for the next 24 hours will be 32° or below, or on a day before a holiday or weekend when the weather is forecast to be 32° or below any time before the next business day. Two utilities did not disconnect any residential customers for nonpayment from December 1, 1996, through March 31, 1997. Several possible reasons for the absence of disconnections for these companies include the complexities of the disconnection and notice provisions of Commission rules, as well as the public relations position taken by some of the utilities.

## **Preferred Payment Date**

Current residential customers who receive certain types of benefit checks out of cycle with their utility bills are allowed up to ten days subsequent to the customer's regular due date to make payment without penalty. This has benefited the low income, elderly, and unemployed customers since they are able to avoid late payment charges and, in many cases, avoid paying a deposit to the utility.

## **Deferred Payment Agreement**

This agreement allows a customer who owes the utility for a past due bill to maintain utility service by paying the past due amount in installments over a period of four to twelve months while continuing to pay current bills as they become due. Of the customers whose service was reconnected during the winter of 1996-97 and who were given a payment plan, 39.4 percent were allowed 6 months or longer to pay the past due amount. Depending on the outstanding amount, the amount of the current bills, and the customer's income, this rule helps many customers, but it falls short of assisting those customers who simply have utility bills that are greater than their income can afford. Commission rules do allow for reinstatement after default and renegotiation of the payment agreement if the customer's financial circumstances change for the worse.

## **Reconnection**

This rule provides that residential customers disconnected prior to the winter heating season and those customers disconnected during the winter heating season (December 1 through March 31) may be reconnected upon the payment of one third of the amount due to the company. If financial inability to pay this amount is shown, one-fifth of the amount owed may be paid. The customer then must enter into a payment plan to pay the balance of the outstanding amount owed to the utility. It should be noted that in many cases the amounts paid to have service restored are obtained through grants from community organizations or through the Low Income Home Energy Assistance Program (LIHEAP) administered by Department of Commerce and Community Affairs.

The reconnection rule further states that this provision is available between November 1 and April 1 of the current heating season; that reconnection under this provision cannot be used in two consecutive years; that the former customer must have paid at least one third of the amount billed subsequent to December 1 of the prior year; and that the program is not available if any evidence of tampering with the meter is discovered.

As required in the "winter reconnection" rule, on or about October 1, 1996, letters were sent to 37,888 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 8,454 former customers requested that their service be reconnected. Of these, 2,244 customers were reconnected upon payment of the total bill and 4,956 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 1,254 customers were denied. The reasons for denial are categorized as follows:

- 392 former customers failed to make a required down payment;
- 742 former customers failed to pay one-third of the amounts billed since December 1, 1995;
- 55 former customers had been reconnected under this rule last year; and
- 65 former customers resided where equipment tampering or diverted utility service was detected.

The above information indicates that 29,434 former customers did not respond to the inquiries posed by the utilities. It is impossible to determine whether these households are truly without utility service and, if so, why they do not have service.

#### **Financial Assistance:**

ICC-regulated utilities participate in the Low Income Home Energy Assistance Program (LIHEAP) administered by the Department of Commerce and Community Affairs. LIHEAP provides a one-time grant to eligible low-income customers.

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**(4-c) an analysis of the financial impact on utilities and other ratepayers of the inability of some customers or potential customers to afford utility service, including the number of service disconnections and reconnections, and cost thereof and the dollar amount of uncollectible accounts recovered through rates.**

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Uncollectible expenses for utilities represent revenues billed but not received for services rendered. Extensive efforts are made to recover such revenues, but, after a certain period of time and effort, these amounts are charged as an expense and recovered in the regular rates charged to all customers.

The level of uncollectible expense is not perceived as a significant problem at the privately owned water and/or sewer utilities in Illinois. Therefore, no effort has been made to analyze in detail the explicit data for those utilities.

To illustrate the amount of uncollectible expense for gas and electric utilities, the year 1996 was chosen. Data for 1996 were used for this analysis since these were the most recent data available at the Commission. The actual amount recovered in utility rates at any one time depends on the test year chosen for the utility's last rate case. For example, if a utility utilized a 1990 test year for its last rate case, the amount of uncollectible expense approved for the test year is embodied in that utility's rates until the next rate case. However, the level of uncollectible expense for the year of the utility's most recent annual report, 1996, was chosen because that year better indicates the current level of uncollectibles. For several utilities which have received recent rate increase, it is likely that a forecasted level of uncollectible expense was utilized which is even more current than 1996 data. In general, the level of uncollectible expense in a rate proceeding is a normalized amount determined through averaging techniques.

#### **Electric Utilities**

Total Uncollectible Expense for all companies was \$52,976,838 in 1996 as compared to \$34,291,892 in 1995. This represented 0.55% of Total Operating Revenues of \$9,654,085,927 in 1996 and 0.36% of Total Operating Revenues of \$9,638,082,010 in 1995. Commonwealth Edison Co. had the largest amount of Uncollectible Expenses with \$41,845,547 in 1996 and \$26,277,857 in 1995. This represented 0.60% of Total Operating Revenues in 1996 and 0.38% in 1995. The results are shown in Table 4-1 on page 29.

## Gas Utilities

Total Uncollectible Expenses for all companies was \$45,081,584 in 1996 as compared to \$33,940,266 in 1995. This represents 1.22% of Total Operating Revenues of \$3,706,194,942 in 1996 and 1.12% of Total Operating Revenues of \$3,018,189,586 in 1995. Peoples Gas Light and Coke Co. had the largest amount of Uncollectible Expenses with \$28,836,838 in 1996 and \$22,396,373 in 1995. This represented 2.63% of Total Operating Revenues in 1996 and 2.47% in 1995. The results are shown in Table 4-2 on page 30.

**Table 4-1**  
**Comparison of Uncollectible Expense to Total Revenues**  
**- Electric -**  
**1995 - 1996**

<u>Utilities</u>	<u>Uncollectibles</u>		<u>Revenues</u>		<u>Percent Uncollectibles to Total Revenues</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Central Illinois Light Co.	1,474,165	641,961	322,967,541	326,386,387	0.46%	0.20%
Central Illinois Public Service Co.	2,208,353	1,629,820	725,570,245	698,463,169	0.30%	0.23%
Commonwealth Edison Co.	41,845,547	26,277,857	6,934,547,492	6,909,786,111	0.60%	0.38%
Illinois Power Co.	6,100,522	4,572,176	1,340,496,274	1,368,953,081	0.46%	0.33%
Interstate Power Co. *	13,207	8,894	17,950,046	18,230,624	0.07%	0.05%
MidAmerican Energy Co. *	429,967	372,177	133,067,439	135,200,653	0.32%	0.28%
Mt. Carmel Public Utility Co.	26,569	16,434	11,092,221	10,483,805	0.24%	0.16%
So. Beloit Gas, Water & Electric Co.	53,272	33,213	9,027,214	9,573,657	0.59%	0.35%
Union Electric Co. *	825,236	739,361	159,367,455	161,004,523	0.52%	0.46%
Total	52,976,838	34,291,892	9,654,085,927	9,638,082,010	0.55%	0.36%

\* Illinois Uncollectible Expenses are a ratio of System-wide Uncollectible Expenses.

**Table 4-2**  
**Comparison of Uncollectible Expense to Total Revenue**

**- Gas -**  
**1995 - 1996**

<u>Utilities</u>	<u>Uncollectibles</u>		<u>Revenues</u>		<u>Percent Uncollectibles to Total Revenues</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Central Illinois Light Co.	1,358,176	649,220	202,823,417	157,406,598	0.67%	0.41%
Central Illinois Public Service Co.	329,984	247,280	155,351,536	129,610,451	0.21%	0.19%
Consumers Gas Co.	32,460	28,755	5,296,124	3,821,875	0.61%	0.75%
Illinois Gas Co.	52,001	14,744	9,513,669	7,707,779	0.55%	0.19%
Illinois Power Co.	2,144,950	2,286,233	348,150,310	272,482,953	0.62%	0.84%
Interstate Power Co. *	6,864	2,770	4,502,576	3,795,522	0.15%	0.07%
MidAmerican Energy Co. *	262,240	205,602	61,110,510	53,901,671	0.43%	0.38%
Mt. Carmel Public Utility Co.	14,984	7,357	2,378,530	2,238,450	0.63%	0.33%
North Shore Gas Co.	842,804	688,105	171,657,250	138,682,873	0.49%	0.50%
Northern Illinois Gas Co.	10,991,000	7,261,001	1,610,226,568	1,312,687,156	0.68%	0.55%
Peoples Gas Light and Coke Co.	28,836,838	22,396,373	1,098,130,483	906,755,000	2.63%	2.47%
So. Beloit Gas, Water & Electric Co.	22,940	14,659	4,602,320	4,121,777	0.50%	0.36%
Union Electric Co. *	122,574	113,407	12,880,637	10,919,644	0.95%	1.04%
United Cities Gas Co. *	63,769	66,667	19,571,012	14,057,837	0.33%	0.47%
Total	45,081,584	33,940,266	3,706,194,942	3,018,189,586	1.22%	1.12%

\* Illinois Uncollectible Expenses are a ratio of System-wide Uncollectible Expenses.

# **SECTION 5**

## **Implementation of the Commission's Statutory Responsibilities**

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**(5) A detailed description of the means by which the Commission is implementing its new statutory responsibilities under this Act, and the status of such implementation, including specifically:**

**(5-a) Commission reorganization resulting from the addition of an Executive Director and hearing examiner qualifications and review.**

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During 1997, there were no organizational changes resulting from statutory responsibilities. Various changes made since the passage of the new Public Utilities Act have been reported in previous Commission annual reports. Ongoing organizational changes are reported on page 6.

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**(5-b) Commission responsibilities for construction and the rate supervision, including construction cost audits, management audits, excess capacity adjustment, phase-ins of new plant and the means and capability for monitoring and reevaluating existing or future construction projects.**

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## **CONSTRUCTION AUDITS**

### **Statutory Requirements**

Section 8-407(b) and 9-213 of the new Public Utilities Act grants the Commission the authority to conduct construction audits. Pursuant to Section 8-407(b), the Commission, after granting a certificate of public convenience and necessity for the construction of a new electric generating facility, is granted the authority to perform construction cost audits at any time during construction whenever the Commission has cause to believe that such an audit is necessary or beneficial to the efficiency or economy of construction.

Section 9-213 requires the Commission to perform an audit of the cost of new electric utility generating plants and significant additions to electric utility generating plants to determine if the cost is reasonable prior to including such construction costs in rate base.

Section 8-407(b) and 9-213 both grant the Commission the authority to engage independent consultants to perform these audits. If a construction audit is performed by an independent consultant, the cost will be borne initially by the utility, but shall be recoverable as an expense through normal ratemaking procedures.

Section 8-407(b) is a responsibility placed upon the Commission as a result of the new Act. Section 9-213 is identical to Section 30.1 of the old Act.

### **Commission Responsibilities**

In order to comply with the Public Utilities Act, the Commission must monitor the major construction activities of all electric utilities within the state to assure that such construction is efficient and economical. The Commission is also required (Sec. 8-407(a)) to reevaluate the propriety and necessity at least every two years of each certificate of necessity issued to the construction of a new electric generating facility. In order to comply with the above responsibilities, the Commission has the authority to conduct construction cost audits.

### **Section 9-213 Activities**

No activities were required during 1997.

### **Section 8-407(b) Activities**

As this requirement affects only new construction, no activity has been required by Commission during 1997.

## **MANAGEMENT AUDITS**

### **Statutory Requirements**

The Commission has authority under Section 8-102 of the Public Utilities Act to conduct management audits of public utilities. The Commission may choose to conduct the audits with its own staff or it may contract with independent consultants to perform the management audits. Prior to initiating an audit of a utility, the Commission must determine that reasonable grounds exist to believe an audit is necessary or cost-beneficial.

The statute allows for the costs associated with the use of independent consultants to be borne by the utilities with recovery provided through the normal ratemaking process.

### **Commission Responsibilities**

Prior to initiating a management audit or investigation of a utility, the Commission must have "reasonable grounds to believe that such audit or investigation is necessary to assure that the utility is providing adequate, efficient, reliable, safe, and least-cost service and charging only just and reasonable rates therefor, or that such audit or investigation is likely to be cost beneficial in enhancing the quality of such service or the reasonableness of rates therefor." The Commission shall "issue an order describing the grounds for such audit or investigation and the appropriate scope and nature of such audit or investigation."

No auditing activities were undertaken during 1997.

### **Excess Capacity and Used and Useful**

Section 9-215, the Public Utilities Act (Act) gives the Commission the "power to consider, on a case by case basis, the status of a utility's capacity and to determine whether or not such utility's capacity is in excess of that reasonably necessary to provide adequate and reliable electric service". The Commission is also authorized to make adjustments to rates if a finding of excess capacity is made. This section conditions this authority for generating units whose construction programs started prior to the effective date of the current Act, January 1, 1986. That is, for generating units whose construction started prior to the effective date of the current Act, the Act requires that a determination of excess capacity or utility plant used and useful will be made from that which is appropriate under prior law.

No activities were required during 1997.

## **RATE MODERATION PLAN**

The Public Utilities Act authorizes the Commission to consider the adoption of a rate moderation plan which would lessen rate impacts associated with new power plants coming into service. During 1997, no new power plants were placed in service in Illinois. As a result, the Commission did not use its authority to adopt a rate moderation plan.

## **COST-BASED RATES**

The Public Utilities Act considers cost-based rates an important component of equity for ratepayers. Specifically, the act states that the cost of supplying public utility services should be allocated to those who cause the costs to be incurred [Sec. 1-102(d)(iii)]. The need to base rates on costs has increased as the utility environment becomes more competitive. A close relationship between rates and costs will discourage uneconomic bypass of the utility system by ratepayers. Uneconomic bypass is costly to the utility, ratepayers and society as a whole.

The Commission made consistent progress towards the establishment of cost-based rates in utility rate cases conducted over the years 1993-1997.

A total of seven gas and three electric rate cases were filed during this period. The gas cases were filed by Iowa-Illinois Gas and Electric (IIGE) which is now Mid-American Energy Company, Illinois Power Company (IP), Central Illinois Light Company (CILCO), People Gas Light and Coke Company (Peoples), North Shore Gas Company (North Shore), Northern Illinois Gas Company (NI-Gas) and Mt. Carmel Public Utility Co. (Mt. Carmel). Electric rate cases were filed by IIGE, Commonwealth Edison Company (ComEd) and Mt. Carmel.

In the IIGE case (Docket Nos. 92-0292, 92-0357 Consolidated), the Commission determined that interclass cost subsidies should be reduced subject only to the constraint that no customer class receive a total revenue increase of more than 10% and that individual rate elements should be more closely aligned to costs.

In the IP case (Docket No. 93-0183), the Commission adopted an allocation of base revenues which effectively eliminated interclass subsidies at then-current rate levels.

In the CILCO case (Docket No. 94-0040), the Commission decision was to more closely align rates with costs through a 75% reduction in interclass subsidies and more cost-based rate designs.

In the North Shore and Peoples cases (Dockets no. 95-0031 and 95-0032), the Commission adopted the Average and Peak allocation method. The Commission also made further progress towards cost-based interclass revenue allocations.

In the NI-Gas case (Docket No. 95-0219), the Commission again adopted the Average and Peak allocation method. The Commission adopted a revenue allocation that significantly reduced interclass subsidies and initiated cost-based rate designs.

In the IIGE electric rate case (Docket Nos. 92-0292, 92-0357 Consolidated), the Commission accepted an interclass revenues allocation which reduced cost subsidies by 25% according to embedded costs and a more cost-based rate design.

In the ComEd case (Docket No. 94-0065), the Commission moved towards cost-based rates based on the equal percentage of marginal costs approach and individual rate elements for all rate classes closer to marginal costs.



In the Mt. Carmel case (Docket No. 97-0514) which was filed in September, the Company performed a cost of service study and based the proposed rates on cost of service. Staff of the Commission will review that study and present testimony. An order is expected to be entered by late summer of 1998.

## **DECOMMISSIONING**

On September 12, 1988, the Governor signed into law Public Act 85-1400 adding a new Section 8-508.1 to the Public Utilities Act. This required every utility owning a nuclear power plant (Commonwealth Edison, Illinois Power, Iowa-Illinois Gas and Electric, and Union Electric) to establish trust funds to pay for the eventual decommissioning of the plants. These trust funds have been established and are being funded.

During 1997, the Commission monitored Federal Legislation relating to Nuclear Decommissioning Trusts as well as the performance of the trust funds.

The Energy Policy Act of 1992 affected nuclear decommissioning trust funds in two ways. First, the corporate income tax rate that is applied to all taxable trust fund earnings was reduced to 20% beginning in 1996. The Energy Policy Act also provided for the elimination of the Black Lung Disability Trust Fund investment restrictions for qualified trust funds, thereby broadening investment options. All utilities have received authorization to invest a limited portion of their trust funds in common equity securities in order to improve the after tax returns and reduce future funding requirements from ratepayers.

Section 9-201.5 of the Public Utilities Act, which became effective January 1, 1995, authorizes an electric utility to establish a "decommissioning rate" to "reflect changes in, or additional or reduced costs of, decommissioning nuclear power plants." Pursuant to this provision, Commonwealth Edison received approval in its rate case Docket No. 94-0065 for its Rider 31 (Decommissioning Expense Adjustment Clause). The Company is required to annually file with the Commission, on or before February 28 of each year, its proposed decommissioning expense adjustment for the period beginning May 1 of that year and ending April 30 of the succeeding year. The Company's 1997 Rider 31 adjustment under Section 9-201.5, is still pending before the Commission.

In Docket No. 95-0007, the Commission authorized Illinois Power to use either a site specific cost study or the NRC standard formula to estimate the decommissioning cost of the Clinton station. In Docket No. 96-0582, IP received permission to adjust its decommissioning rate to reflect a site specific cost estimate.

In Docket No. 95-0285, the Commission authorized MidAmerican Energy (formerly Iowa-Illinois Gas and Electric) to continue using its Nuclear Decommissioning Expense Rider under Section 9-201.5(d) of the Act. MidAmerican's 1997 rider adjustment was approved by the Commission in Docket No. 96-0577.

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### **(5-c) Promulgation and application of rules concerning exparte communications, circulation of recommended orders and transcription of closed meetings.**

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The Commission's rules concerning ex parte communications (83 Ill. Adm. Code 200.710) and the circulation of recommended orders (83 Ill. Adm. Code 200.820) remained in effect in 1997 and were applied throughout the year. Closed meetings were transcribed verbatim as required by Section 10-102 of The Public Utilities Act.

# **SECTION 6**

**Appeals from  
Commission  
Orders**

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**(6) A description of all appeals taken from Commission orders, findings or decisions and the status and outcome of such appeals.**

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This section includes only appeals either filed in 1997 or upon which a judicial decision was received in 1997. Excluded are appeals involving motor carriers, rail carriers, or other regulated transportation and all non-appeal judicial actions, such as enforcement and collection actions, employment suits, or federal administrative and judicial actions, in which the Commission may have participated as plaintiff, defendant, intervenor, or amicus.

**I. APPEALS INVOLVING PUBLIC UTILITIES FILED IN 1997**

**A. Under the Public Utilities Act, 220 ILCS 5/1-101 et seq.**

	<u>Description</u>	<u>No. of Appeals</u>
1.	Appeals from mergers, reorganizations and similar matters under Article VII	5
2.	Appeal from grant or denial of certificates under Section 8-406	1
3.	Appeal from fuel cost riders under Section 9-220	1
4.	Appeals from grant or denial of consumer complaints under Section 10-108	3
5.	Appeal from grant or denial of telecommunication certificates under Article XIII	1
6.	Appeals from grant or denial of application for alternate form of regulation under Section 13-506.1 and from grant or denial of rate changes under Section 9-201	3
7.	Appeal from grant or denial of pipeline certificates under Article XV	1

**B. Under Other Utility-Related Acts**

Appeals to Illinois Appellate Courts from approval of agreements under 47 USC 252.	2
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## C. Status

All 1997 appeals are still pending, except five. Three of the appeals from mergers, reorganization and similar matters under Article VII and the appeal from grant or denial of telecommunication certificates under Article XIII were dismissed without opinion (See Section II.A.1.). The appeal involving fuel cost riders under Section 9-220 is summarized at Section II.A.3.(b).

## II. APPEALS DECIDED IN 1997

### A. Under the Public Utilities Act, 220 ILCS 5/1-101 et seq.

#### 1. Cases dismissed without opinion and with no further action expected.

<u>Description</u>	<u>No. of Cases</u>
(a) Appeals from mergers, reorganizations and similar matters under Article VII	3
(b) Appeal from grant or denial of telecommunication certificates under Article XIII	1
(c) Appeal from complaint concerning compensation under Section 13-510	1

#### 2. Utility appeal cases listed in the 1996 Annual Report as cases in which further appeal is expected.

Of the three cases listed in 1996 Annual Report as utility cases expecting further appeal, two were denied leave to appeal from the Supreme Court and one was not further appealed. The two denied leave to appeal are :

- (a) Chicago SMSA Limited Partnership, et al. v. Illinois Commerce Commission  
Supreme Court Docket No. 82283  
Illinois Appellate Court, Third District  
Docket No. 3-96-0189

Appeal from decision involving gross receipts tax under Section 2-202

Leave to Appeal denied January 29, 1997.

- (b) County of DuPage, et al. v. Illinois Commerce Commission, et al.  
Supreme Court Docket No. 82162  
Illinois Appellate Court, Second District  
Docket No. 2-96-0027

Appeals from grant or denial of certificates of public convenience and necessity under Section 8-406.

Leave to Appeal denied January 29, 1997.

The one upon which no further judicial action took place is :

- (c) Peoples Gas Light & Coke Co. and North Shore Gas Co. v. Illinois Commerce Commission

Appeal from comprehensive electric utility energy plans under Section 8-402.

3. Cases in which decisions were rendered.

- (a) Abbott Laboratories Inc., et al. v. Illinois Commerce Commission North Shore Gas Co., et al. and A Finkl and Sons, et al v. Illinois Commerce Commission, People Gas Light & Light Coke Co., et al.  
Illinois Appellate Court, First District  
Docket Nos. 1-96-0265 and 1-96-0266 (cons)

Appeals from denial or grant of rate increases under Section 9-201.

The Illinois Commerce Commission had approved tariffs separately for North Shore Gas Co. and Peoples Gas Light & Coke Co. increasing the rates of the two companies. Various transportation customers of both companies challenged the increases attributed to transportation service. Because the issues raised on appeal were common to both cases, the Appellate Court heard these otherwise separate decisions together.

On June 27, 1997, the Illinois Appellate Court affirmed the two orders. The Court agreed that the Unauthorized Use Penalty is not required to be cost-based and is supported by evidence in the record; that the allocation of transmission and distribution costs among the various classes of customers is supported by substantial evidence; and that the restriction on withdrawals by transportation customers during winter is also supported by the evidence.

- (b) Archer-Daniels Midland Co., et al. (IIEC) v. Illinois Commerce Commission, Central Illinois Public Service Co., and Central Illinois Light Co.  
Illinois Appellate Court, Third District  
Docket No. 3-97-0170

Appeal from fuel cost riders under Section 9-220.

Central Illinois Public Service Co. (CIPS) renegotiated a long-term coal supply contract with the cost savings passing through the Uniform Fuel Adjustment Clause (UFAC). CIPS sought to run certain of the related buy-out costs also through the UFAC. IIEC challenged the running of the buy-out costs through CIPS' UFAC.

On November 24, 1997, the Illinois Appellate Court reversed the Commission decision. The Illinois Appellate Court held that the buy-out costs are not a direct cost of fuel and, therefore, under the Commission's rules and accounting treatment, cannot be recovered through CIPS' UFAC. The Court also held that, because said buy-out costs cannot be recovered through the UFAC, recovery of the buy-out costs through the UFAC constitutes single-issue ratemaking.

- (c) City of Chicago v. Illinois Commerce Commission, et al.  
Illinois Appellate Court, First District  
Docket No. 1-95-1617

Appeal from comprehensive electric utility energy plans under Section 8-402.

The City of Chicago had challenged the comprehensive energy plan of Commonwealth Edison Co. In approving the plan, the number of demand-side management (DSM) resource pilot programs had been reduced to the level funded in the concurrent ComEd rate case.

On February 3, 1997, the Appellate Court affirmed the Commission's order. The Court rejected the City's contention that DSM programs should be imposed without regard to cost recovery.

- (d) Citizens Utility Board, et al v. Illinois Commerce Commission et al.  
Illinois Appellate Court, First District  
Docket Nos. 1-95-0153, 1-95-0155, 1-95-0156 and 1-95-0659 (cons.)

Appeals from denial or grant of rate increases under Section 9-201.

On May 30, 1997 the Illinois Appellate Court affirmed the Commission's order, which set Commonwealth Edison's rates, on all issues raised by Commonwealth Edison and the other Appellants, except in two areas. On an issue of whether a distinction between new customers and existing customers could produce distortion in marginal cost studies, the Appellate Court remanded the cause for additional findings by the Commission. On issues relating to the cost of common equity, the Appellate Court affirmed the Commission's finding on DCF methodology and retention rates, but remanded for further findings concerning (a) risk factors and untimely data and (b) the equal weighing of DCF and risk premium model results and the addition of basis points. The Appellate Court originally issued this decision as a Rule 23 Order but later ordered its publication as an Opinion.

- (e) Consumers Illinois Water Co. v. Illinois Commerce Commission and the city Kankakee  
Illinois Appellate Court, Third District  
Docket No 3-96-0637

Appeal from denial or grant of rate increases under Section 9-201.

During a rate proceeding, the issue was raised on whether the gain from a real estate sale by the public utility should be treated as a benefit to the ratepayers or the public utility's stockholders. Consistent with the applicable Uniform Systems of Accounts, the Commission treated the gain from the real estate sale as a benefit to the ratepayers. In a Rule 23 Order, the Appellate Court reversed and remanded the Commission's decision. In its July 8, 1997 split decision, the majority held that the accounting rules do not determine the treatment of the item for ratemaking purposes and that the sale of real estate by this utility is not a recurring event to which the costs and benefits inure to the ratepayers. The dissent would have affirmed.

- (f) Fountain Water District v. Illinois Commerce Commission and Illinois American Water Co.  
Illinois Appellate Court, Fifth District  
Docket No 5-96-0531

Appeal from the grant or denial of certificate of public convenience and necessity under Section 8-406.

On August 1, 1997, the Illinois Appellate Court affirmed the Commission order which had granted a certificate of public convenience and necessity. The public water district had contended that (1) the existence of a public water district excludes the jurisdiction of the Commission to award certificates of public convenience and necessity within its territory; (2) the public water district enjoys first in the field rights; and (3) the public utility should be barred from serving under equitable estoppel. The Court held that the Commission's jurisdiction is not curtailed by a public water district, that first in the field rights attach only to public utilities, and that the Commission had no authority to consider the equitable estoppel issues.

- (g) Margaret Gernard, et al v. Illinois Commerce Commission and Inter-state Water Co. now known as Consumers Illinois Water Co.  
Supreme Court Docket No. 82959  
Illinois Appellate Court, Fourth District  
Docket No. 4-96-0663

Appeal from grant or denial of certificate under Section 8-406.

The Illinois Commerce Commission had granted the public utility a certificate of public convenience and necessity and had authorized the improvement and the taking by eminent domain of temporary easements for test boring surveys, test wells, and measuring the effect of removing groundwater as a source of supply. Local landowners had challenged the grants, claiming (1) Sections 8-406, 8-503, and 8-509 of the Act do not give the Commission authority to issue the type of order sought here; (2) even if the Act provided for that type of relief, the public utility did not make the required proof; (3) the Commission's order violated the state and federal constitutions; and (4) seismic testing by the public utility in roadways next to landowners' fields precluded the order on review.

On March 5, 1997, the Illinois Appellate Court affirmed the Commission's decision. The Court found that the issuance of temporary easements for testing purposes is within the authority of the Commission; that the substantial evidence supported the Commission's decision; that no violation of the U.S or Illinois Constitution was involved; and that the roadway seismic testing is not relevant to the issues in the case. On June 4, 1997, the Illinois Supreme Court denied leave to appeal.

- (h) Illinois Bell Telephone Co. v. Illinois Commerce Commission, et al.  
Supreme Court Docket Nos. 82899 and 82909  
Illinois Appellate Court, Third District  
Docket No. 3-96-0555

Appeal from determination of compensation under Section 13-510.

Ameritech (Illinois Bell) sought to receive compensation for services that it offered when used by customers of other telecommunication carriers. Ameritech filed an effective-the-next-day competitive tariff requiring the other telecommunications carriers to pay 35 cents per call. The Commission entered into an investigation. Ameritech then filed a complaint seeking compensation from the other carriers for some of the services for three years prior to the tariff filing.

The Commission found that Ameritech's tariff violated 220 ILCS 5/13-510 and was void and initio. The Commission ordered a refund of the sums collected under the void tariff and denied Ameritech's complaint as retroactive. The Commission found that the compensation sought was already recovered by Ameritech in its carrier access charges.

The Appellate Court held that 220 ILCS 5/13-510 required the grant to Ameritech of compensation for said services even if the costs had already been recovered from other sources. The Appellate Court further held that Ameritech's complaint was not barred as retroactive. The Court therefore remanded the case to determine the compensation Ameritech should receive for the three years prior to April 5, 1995.

The Appellate Court affirmed the Commission's rejection of Ameritech's tariff. The Court held that self-declaration of compensation via tariff filing is contrary to 220 ILCS 5/13-510. On June 4, 1997, the Illinois Supreme Court denied both petitions for leave to appeal.

- (i) Illinois Bell Telephone Company, et al v. Illinois Commerce Commission, et al.  
Illinois Appellate Court, First District  
Docket Nos. 1-96-2146 and 1-96-2166 (cons.)

Appeals from complaint between telecommunications carriers concerning competition under Article XIII.

The Commission had found that a bill insert issued by Illinois Bell Telephone Co. (Ameritech) offering protection from switching carriers was misleading, discriminatory and anti-competitive. The Commission had ordered various relief including issuance of a corrective bill insert and a moratorium on offering the offending service for six months.

On appeal, in a Rule 23 Order issued on September 5, 1997, the Appellate Court affirmed in part and reversed in part. The Court reversed the Commission's finding that Ameritech's actions violated 220 ILCS 5/9-241, but affirmed the finding that Ameritech's actions had violated 220 ILCS 5/13-502.2. Thus the Commission-ordered relief was unaltered. The Appellate Court dismissed the separate appeal of the Attorney General on the basis that the issues raised were not properly part of the underlying cause.

- (j) Monarch Gas Co. v. Illinois Commerce Commission  
Supreme Court Docket No. 83325  
Illinois Appellate Court, Fifth District  
Appeal No. 5-96-0220

Appeal from reconciliation of fuel or gas purchases under Section 9-220.

During the mid- 1980's, Monarch Gas Co. through its Purchased Gas Adjustment clause received from its customers reimbursement for all its gas purchases. However, Monarch did not pay its supplier, thus incurring a \$357,000 debt for items already paid by its customers.

In 1988, the gas supplier sold the \$357,000 debt, now reflected in a note issued by Monarch, for half its value. In the reconciliation of gas purchases for 1988, the Commission determined that the 50% reduction of gas costs by the supplier in 1988 should have been reflected in the PGA clause and, therefore, the customers were entitled to a \$178,500 refund. Monarch complied with the refund, but also appealed the decision.

On March 26, 1997, in a Rule 23 Order, the Appellate Court affirmed the Commission's decision. The Court rejected Monarch's claims that the refund violated the Uniform Commercial Code or the U.S Constitution, was not supported by evidence, and was unreasonable. On October 1, 1997, the Illinois Supreme Court denied leave to appeal.

- (k) Northern Illinois Gas Company, et al. v. Illinois Commerce Commission, et al.  
Illinois Appellate Court, Third District  
Docket No. 3-96-0473, 3096-0537, 3-96-0546, 3-96-0547, 3-96-0564 and 3-96-0566 (cons.)

Appeals from denial or grant of rate increases under Section 9-201.

Several appeals were taken from the Commission's order setting the rates of Northern Illinois Gas Co. (NIGas). On June 23, 1997, in a Rule 23 Order, the Appellate Court confirmed the Commission order.



The Court affirmed the Commission's treatment of the pension asset from NIGas' claims of retroactively, lack of evidence, single- issue ratemaking, and arbitrariness. The Court also affirmed the Commission's decision that costs and revenues from certain leasing arrangements should be run through NIGas' PGA clause.

The Court upheld the approval of certain bonus and incentive compensation plans from claims of insufficient finding, lack of evidence in support and arbitrariness. The Court rejected claims that the interest owed on PGA refunds was miscalculated.

The Court rejected challenges by gas transportation customers to the increase in the unauthorized use charge, to the absence of a short-term debt component in NIGas' capital structure, to the impact of the restructured rates on large transportation customers, to the use of critical days to curb transportation demand, and to the refusal to allow pooling of gas demand by transportation and storage customers.

- (l) City of O'Fallon v. Illinois Commerce Commission and Illinois-American Water Co.  
Illinois Appellate Court, Fifth District  
Docket No. 5-96-0613

Appeal from the grant or denial of certificates of public convenience and necessity under Section 8-406.

On May 27, 1997, the Illinois Appellate Court issued a Summary Order affirming the grant of a certificate of public convenience and necessity to Illinois-American's Water Co. The City had argued that the Commission's Order was not supported by substantial evidence.

#### **B. Under other Utility Related Acts**

1. Cases dismissed without opinion and with no further action expected.

<u>Description</u>	<u>No. of cases</u>
	None

2. Utility - related appeal case listed in the 1996 Annual Report as a case in which further appeal is expected.

The following case was listed in the 1996 Annual Report as pending further appeal. The two petitions for leave to appeal were denied by the Illinois Supreme Court.

Citizens United for Responsible Energy Development Inc. v. Illinois Commerce Commission, et al.  
Supreme Court Docket Nos. 82598 and 82612  
Illinois Appellate Court, Fifth District  
Docket No. 5-95-0564

Appeal from grant or denial of activities under Joint Municipal Electric Power Act, 65 ILCS 5/11-119.1-10.

Petitions for Leave Appeal were denied on April 2, 1997.

### **3. Cases in which decisions were rendered.**

- (a) City of Chicago v. Illinois Commerce Commission, et al.  
Illinois Appellate Court, First District  
Docket No. 1-96-1810

Appeal from the rulemaking under the Emergency Telephone System Act, 50 ILCS 750/0.01, et seq.

On December 24, 1997, the Illinois Appellate Court reversed the Commission, in an appeal involving the amended rules under the Emergency Telephone System Act, 50 ILCS 750/0.01 et seq. The Court held that all issues involving surcharges under the Emergency Telephone System Act are beyond the Commission's jurisdiction and vacated 83 Ill. Adm. Code 725.800 and 725.805.

The arcane question on review involved how many network connections do billed subscribers of Centrex services have. 50 ILCS 750/2.12. The surcharge which can fund 9-1-1 services is applied to network connections. 50 ILCS 750/15.3(a). The Commission to end disputes on this and related subjects determined that there is one network connections for every ten Centrex lines based on substantial evidence.

The Appellate Court held that the Commission's authority under 50 ILCS 750/8 and 10 does not authorize the Commission to declare what constitutes a network connection for surcharge purposes. Thus, the number of network connections under state law is to be determined locally and variously by each public agency and telecommunications carriers throughout the State of Illinois.

- (b) Jo-Carroll Electric Cooperative Inc. v. Illinois Commerce Commission and Interstate Power Company  
Circuit Court of JoDaviess County, Fifteenth Judicial Circuit  
Docket Nos. 93 MR 39 and 96 MR 41

Appeal from grant or denial of right to serve area or customer under Electric Supplier Act, 220 ILCS 30/1, et seq.

The Circuit Court had remanded this cause to the Commission for further consideration. On remand, both parties submitted much additional evidence. The Commission found that Interstate Power Company had the right to serve the customer both under grandfather rights and under the dispute resolution provisions of the Act.

On December 3, 1997, the Circuit Court affirmed the findings and Order of the Commission in all respects.

# **SECTION 7**

**Studies and  
Investigations  
Required by  
State Statutes**

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**(7) A description of the status of all studies and investigations required by this Act, including those ordered pursuant to Sections 4-305, 8-304, 9-242, 9-244, and 13-301 and all such subsequently ordered studies or investigations.**

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#### **Section 4-305: Emission Allowance Reports**

Section 4-305 directs the Illinois Commerce Commission to collect from each public utility and each affiliated interest of a public utility owning an electric generating station, on a quarterly basis, information relating to the acquisition or sale of sulfur-dioxide emission allowances, as defined in Title IV of the Federal Clean Air Act Amendments of 1990. The commission is also directed to include such information in each of its annual reports, beginning with the 1993 annual report due January 31, 1994.

As of December 31, 1997, the Commission has received first, second, and third calendar quarter reports for 1997 from all seven of the utilities with generating units affected by the Clean Air Act: Central Illinois Light, Central Illinois Public Service, Commonwealth Edison, Illinois Power, Interstate Power, MidAmerican Energy Company, and Union Electric. The Commission has also received first, second, and third calendar quarter reports for 1997 from Electric Energy Inc., the affected utility affiliate. All utilities and affiliated interests subject to the Section 4-305 reporting requirements are currently in compliance.

Appendix C contains the fourth quarterly report for 1996 and the first three quarterly reports for 1997 for all reporting entities. Because the forms require the reporting entities to record a running-total of all allowance allocations and transactions, the third quarter reports contain all information regarding the allocations and transactions that have occurred during the first three quarters of 1997.

#### **Section 8-304: Estimated Billing Practices**

Under this section, the Illinois Commerce Commission is required to perform a comprehensive study of estimated billing practices and policies of the major regulated public utilities providing natural gas and/or electric services.

For purposes of this study, the Commission selected the following major regulated public utilities providing natural gas and/or electric services to Illinois households:

Central Illinois Light Company  
Central Illinois Public Service Company  
Commonwealth Edison Company  
Illinois Power Company  
MidAmerican Energy Company (formerly, Iowa-Illinois Gas & Electric Company)  
Northern Illinois Gas Company  
Peoples Gas Light & Coke Company  
Union Electric Company

These eight utilities comprise over 95 percent of the regulated utility service sales to residential customers in Illinois.

The companies have provided such information as a three year history of the total number of estimated bills broken down by customer class, time of year, geographic location, customer group, and frequency of consecutively estimated bills; the reasons for estimated billing; the costs of relocating and

reading meters; the methods or formulas used for establishing the amounts of estimated bills; and the programs or instruments used to minimize the frequency of estimated bills.

An analysis of the data has been conducted and a draft of the report has been completed. It is expected that a report on the estimated billing study will be published in 1998.

#### **Section 8-403: Cogeneration/Small Power Production**

Section 8-403 states that the Commission shall conduct a study to encourage the full and economical utilization of cogeneration and small power production. In addition to the independent power generation aspect of the study, the Commission is also required to examine the wheeling of electricity between governmental agencies.

This study was completed in 1987. No activities were required in 1997.

#### **Section 8-405.1: Feasibility of Wheeling in Illinois**

Section 8-405.1 directs the Commission, in cooperation with the Illinois Department of Energy and Natural Resources, to investigate the major economic and legal issues surrounding the wheeling of electricity in Illinois and to report the results of its investigation to the General Assembly. In December 1987, the Commission submitted the report titled Electric Wheeling in Illinois to the General Assembly.

#### **Section 9-202: Temporary Rate Increase**

On October 1, 1987, 83 Ill. Adm. Code 330 became effective. Among other things, Commission rules set the necessary conditions for a temporary rate increase and provided for refunds with interest should the temporary rate increase granted exceed the permanent rate increase granted.

#### **Section 9-214: Study of CWIP**

The study was completed and was sent to the General Assembly on December 29, 1988. Please see the 1992 report, page 56, for details.

#### **Section 9-216: Cancellation Costs**

There are no plants under construction nor any requests for authority to construct new plants pending before the Commission and given that there is no due date for either the initiation or completion of this rulemaking, the Commission will initiate rulemaking as soon as practical, given the Commission's current workload and resources.

#### **ECONOMIC DEVELOPMENT PROGRAM**

The Commission's economic development activities as directly related to the Illinois Public Utilities Act (PUA) are coordinated by the Financial Analysis Division (FAD). A summary of the program since its inception may be found in the 1996 and previous Commission annual reports.

#### **1997 Activities**

Currently, the Commission is addressing the following topics, as part of its ongoing research/analysis activities related to the economic development process:

- monitoring economic development impacts related to "retail" wheeling (open transmission access) of electricity; during 1997, impact data on open access pilot programs for Central Illinois Light Company and Illinois Power Company were analyzed;
- potential options for allocating responsibility for revenue requirements shortfall related to economic development/incentive and other types of discounted rate structures;
- the overall impact of economic development/incentive and other types of discounted rate structures during the transition to a competitive electric industry;
- monitoring and evaluating economic development impacts resulting from Commission actions related to the restructuring of the electric utility industry in Illinois.

The Commission coordinates its economic development activities with other state agencies. Commission Economic Development Program staff represent the Commission on inter-agency task forces that relate to the Commission's economic development activities. During 1997, the Commission was represented at meetings of the Illinois Economic Development Council, chaired by Lt. Governor Robert Kustra.

Individual economic development project proposals are reviewed in conjunction with appropriate staff from utilities, state and local government, and private businesses. The Economic Development Program staff makes recommendations to the Commission on such proposals.

Staff also comments on tariff and/or rate filings by utilities and provides testimony in rate case proceedings. Such input serves to further articulate Commission policies in the area of economic development.

### **1997 Actions**

The following list describes some significant 1997 Commission decisions with related economic development impacts:

- Illinois Powers Rate ECS (Electric Contract Service), ECS Plus (Electric Contract Service Plus), Mt. Carmel's Rate ECS (Electric Contract Service), and MidAmerican's Rider 5 (Limited Term Contract Service) were approved, subsequent to the enactment of Public Act 89-600;
- Two economic development/incentive and nine load and job retention special contracts were approved for three utilities;
- Compliance reviews of eighteen additional economic development/incentive and load retention special contracts, filed under various tariffs, were completed for four utilities.
- Two economic development/incentive rate tariff extensions/modifications, applicable to new and/or expanded electric load, were approved;
- Three utilities received approval of interruptible/curtailable rate tariffs for the 1997 summer peak period.

### **1997 Economic Development Reports**

- Economic Development Handbook - Illinois Utility Options (July 1997)

# **SECTION 8**

**Impacts of  
Federal Activity  
on State Utility  
Service**

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**(8) A discussion of new or potential developments in federal legislation, and federal agency and judicial decisions relevant to State regulation of utility service.**

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**COMMISSION POLICY AND ACTIONS IN FERC PROCEEDINGS**

The Federal Energy Regulatory Commission (FERC) regulates the wholesale rates for electricity sales and transmission, the sale or resale of natural gas by interstate pipelines, and the transportation of natural gas by interstate pipelines. The primary goal of the Illinois Commerce Commission's FERC Intervention Program is to ensure that the rules, policies, rates, and terms and conditions of service that FERC establishes for natural gas pipeline transportation, bulk power sales, and electric transmission service are fair and reasonable for Illinois energy consumers. The activities of the FERC Intervention Program are discussed in more detail in the following sections.

**DEVELOPMENTS IN THE NATURAL GAS INDUSTRY**

In 1997, the natural gas industry conducted its fourth full year of operation following the adoption and implementation of FERC's Order 636. Order 636 required interstate natural gas pipelines to provide open access to the pipeline gas transportation system to shippers on a third party basis equal to the pipelines' own use of the system. Following Order 636, interstate natural gas pipelines act primarily as transporters of natural gas owned by others. This allows local distribution companies (LDCs) to purchase gas from producers, marketers, and brokers, in addition to pipelines. Retail customers have also gained greater access to these market opportunities as LDCs have introduced and expanded their own local distribution transportation services for retail customers.

FERC continued to address secondary Order 636 natural gas policy issues in 1997. In February, FERC initiated a broad policy inquiry into issues and priorities for the natural gas industry (PL97-1). The ICC supported a broad reexamination of FERC's natural gas policy. However, the ICC cautioned FERC that retail issues and policy concerning natural gas local distribution companies was rightfully within the province of state regulatory commissions.

In 1997, FERC approved the pipeline expansion/extension proposals of both Northern Border Pipeline Company and Natural Gas Pipeline Company of America. FERC also granted conditional approval to the pipeline construction proposal of Alliance Pipeline Ltd. (environmental approval is pending as of the end of 1997). These pipeline projects are intended to deliver abundant, and competitively priced, Canadian natural gas to Illinois customers. Another new pipeline intended to deliver Canadian natural gas to Illinois, Viking Voyageur, is currently on the drawing board.

**DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY**

The focus on comparable and nondiscriminatory access to transmission service continued in 1997.

In April, 1996, FERC issued Order 888. This landmark administrative rule is intended to facilitate broad open access to transmission facilities and a nation-wide competitive wholesale electric power market. Order 888 requires each transmission-owning electric utility to have generally available open access transmission tariffs on file. Transmission owning utilities must make their transmission facilities available on a non-discriminatory basis to wholesale customers so that generation competitors are not excluded from the market. Order 888 also requires utilities to functionally separate wholesale power sales functions from operation of the transmission system. In making wholesale power sales, utilities



must take transmission services under their own transmission tariffs and charge themselves the same price for transmission services as they charge third-party transmission customers.

In most respects, the ICC strongly supported FERC's Order 888 and the administrative rules promulgated therein. However, the ICC expressed some disagreement with FERC's jurisdictional determinations with respect to the retail transmission of power and stranded cost recovery. Following up on requests for rehearing, FERC issued Order 888-A and 888-B in 1997.

## **SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT**

The General Assembly passed House Bill 362 during the Fall legislative session. Among many other things, the legislation provides for rate cuts for residential customers and establishes a timetable for the implementation of "delivery services," more commonly known as retail wheeling. All customers of Illinois' investor-owned utilities will be permitted to choose their electric suppliers by May 2002.

## **NATIONAL DEVELOPMENTS**

Numerous electric industry restructuring bills were introduced in the first session of the 105th Congress. Bills were introduced in both the Senate and the House. Although numerous hearings were held on these bills, no comprehensive electric legislation was voted out in 1997.

## **FEDERAL JUDICIAL ACTIONS**

In *Northern States Power Co., et al. v. Department of Energy et al.*, U.S. Court of Appeals, DC Cir. Docket Nos. 97-1064 and 97-1065, the Petitioners including numerous state utility regulatory bodies challenged DOE's attempt to avoid compliance with 42 USC 10222(a)(5)(B). Said section requires DOE to accept high-level radioactive waste and spent nuclear fuel by January 31, 1998.

In an earlier cause *Indiana-Michigan Power Co. v. Department of Energy*, 88 F 3d 1272 (Dc. Cir. 1996), the Court had held that DOE was not authorized to avoid the date specified in 42 USC 10222(a)(5)(B). The Court however did not impose requirements on DOE since it was unclear that DOE would fail to meet the statutory deadline. Within months of the Court's decision, DOE was seeking excuses for noncompliance with the statute.

In the new case, the Court issued a partial writ of mandamus against DOE, precluding DOE from excusing itself from meeting the statutory requirements because DOE has not created a repository. However, because contract remedies may be sufficient, DOE has not been ordered to take spent nuclear fuel.

The impact of all this is significant for Illinois customers of electricity produced by nuclear generation. Said customers have paid large amounts into the Nuclear Waste Fund. (\$966.5 million in payments and interest as of March 31, 1996). Until DOE begins to accept spent nuclear fuel, said customers have paid to the Federal Government much money with no return on benefit, while paying the utilities for increasing "temporary" storage costs of spent nuclear fuel.

## **RELEVANT FEDERAL LEGISLATION**

A listing of federal legislation relevant to the utility industry is in Appendix B.

# **SECTION 9**

## **Recommendations for Proposed Legislation**

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**(9) All recommendations for appropriate legislative action  
by the General Assembly.**

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The Commission's legislative agenda for the first year of the 90th General Assembly is currently being formulated. Proposals under consideration at this time include various amendments to the Public Utilities Act dealing with utility regulation. A detailed discussion of specific proposals currently under consideration would be premature at this time.

# **Appendix A**

## **Summary of Significant Commission Decisions**

## **Summary of Significant Commission Decisions**

### **ELECTRIC UTILITY DOCKETS**

**95-0615      COMMONWEALTH EDISON COMPANY**

**Petition pursuant to Sections 7-101, 7-102 and 7-204 A(b) of the Public Utilities Act for an order approving an agreement for the provision of facilities and services and the transfer of assets between Commonwealth Edison Company and Unicom Corporation and its subsidiaries.**

The Commission approved the Affiliated Interest Agreement which establishes policies and procedures for intercompany charges for transactions involving ComEd and the Unicom entities subject to certain conditions, restrictions and modifications including: the limitation of real estate transactions; access by Staff to all books and records of the AIA signatories; the Staff/ComEd stipulation for addition of new affiliates to the Agreement; and the adoption of Staff's two-factor formula for the allocation of common costs. In addition, the Commission clarified the legal standard to be applied for approval of petitions under Section 7-102 of the Act.

**96-0122      INTERSTATE POWER COMPANY AND SOUTH BELOIT WATER, GAS AND ELECTRIC COMPANY**

**Joint Application for approval of merger reorganization.**

The Commission approved a merger of Wisconsin Power and Light including its Illinois subsidiary South Beloit Water Gas and Electric, with and into Interstate Power Company. The Commission found that the merger would yield approximately \$725 million in cost savings over 10 years, approximately \$8 million of which is attributable to Interstate Power Company's Illinois service territory. The Commission attached several conditions to the merger covering such matters as transactions with affiliated entities, jurisdictional cost allocations and decommissioning costs.

**96-0229      COMMONWEALTH EDISON COMPANY**

**Petition pursuant to Section 7-102 of the Public Utilities Act for consent to and approval of the provision of energy support services.**

Petitioner sought Commission consent and approval for the provision of energy support services pursuant to Section 7-102 of the Public Utilities Act. ComEd argued that the proposed services would be in the public interest, would not harm the ratepayers, and would not pose a risk to ComEd's cost of capital. Staff argued that consent to the proposed services would give ComEd an unfair competitive advantage, could increase business risk to ComEd and its ratepayers, and would violate Section 9-230 of the Public Utilities Act. The Commission found that the proposed services did not meet the public convenience standard of Section 7-102 of the Public Utilities Act and denied the Petition.

**96-0245      COMMONWEALTH EDISON COMPANY**

**Petition pursuant to Section 7-102 of the Illinois Public Utilities Act for consent to and approval of a transaction involving the sale and conveyance of certain utility property, including the Kincaid Generating Station located in Sangamon and Christian Counties, Illinois and entry into a Power Purchase Agreement for a finding that the transaction which includes entry into the Power Purchase Agreement is prudent and for approval of an adjustment to be made through the Ro factor of the Fuel Adjustment Clause.**

**Consol.  
96-0248**

**COMMONWEALTH EDISON COMPANY**

**Petition pursuant to Sections 7-101, 7-102 and 7-204A(b) of the Public Utilities Act for approval of a transaction involving Commonwealth Edison Company of Indiana, Inc., an affiliate, concerning the sale of certain property, including the State Line Generating Station and entry into a Power Purchase Agreement for a finding that the transaction, which includes entry into the Power Purchase Agreement, is prudent, for approval to purchase certain inventory of Commonwealth Edison of Indiana, Inc., an affiliate, and for approval of an adjustment to be made through the Ro factor of the Fuel Adjustment Clause.**

The Commission approved the sale of the Kincaid and State Line generating stations and execution of the Purchased Power Agreements finding that the transactions will be in the public interest and will convenience the public with the following condition imposed on the plants' sale: ComEd's initiation of a docketed proceeding before the Commission within 90 days after a state or federal law becomes effective that restructures the electric industry and provides for any form of stranded cost recovery by ComEd.

**96-0345**

**CENTRAL ILLINOIS PUBLIC SERVICE COMPANY**

**Petition for an Order: (1) approving a fuel supply modification under Section 8-508 of the Public Utilities act; (2) approving proposed accounting; and (3) other relief.**

In this proceeding, Central Illinois Public Service Company ("CIPS") sought approval of a proposed restructuring of its existing Delta Mine coal supply contract with AMAX. Among other relief, CIPS sought to recover, through the fuel adjustment clause ("FAC"), a \$70 million payment to AMAX as consideration for the restructuring, along with carrying charges associated therewith. The Illinois Industrial Energy Consumers ("IIEC"), which intervened, opposed the collection of either the restructuring payment or carrying charges through the FAC. In its Order, the Commission approved the proposed coal supply modification. Subject to certain conditions, the Order also allowed the recovery of the restructuring payment, along with carrying costs, through the FAC. Thereafter, a request for rehearing was filed by the IIEC. In an Order entered February 5, 1997, the Commission denied the rehearing request, and the matter is now on appeal.

**96-0388**

**COMMONWEALTH EDISON COMPANY**

**Application for an amendment to the certificate of public convenience and necessity issued to ComEd under Section 8-406 of the Public Utilities Act in Docket 92-0186, to permit the relocation of an existing electric transmission line in Cook County, Illinois.**

On May 21, 1997, the Commission entered an order granting ComEd's petition. The transmission line which was the subject of this docket runs parallel to I-55 and is the major bulk-power supply line feeding the central business district of Chicago. Intervenor, Ameropan Oil Company, objected to the proposal citing several safety concerns associated with the line. Staff testified that it had conducted a thorough review of the proposed plan. Staff concluded that Ameropan's concerns were unfounded and the proposed line met all the safety requirements.

**96-0577**

**MIDAMERICAN ENERGY COMPANY**

**Petition for decommissioning expense adjustment under Rider 12.**

In this proceeding, MidAmerican Energy Company was granted approval to use a proposed nuclear decommissioning cost factor of .19 cents per kWh for the Quad Cities Nuclear Station, of which MidAmerican owns a 25% share. In calculating this factor, the total station decommissioning cost, excluding greenfielding costs, was estimated to be \$771,067,000. After considering the decommissioning trust fund balance, the Illinois allocation ratio and other relevant factors, the Illinois decommissioning cost requirement for the year in question was determined to be \$3,110,000.

**96-0565**

**ILLINOIS POWER COMPANY**

**Request for approval of investment guidelines for the Nuclear Decommissioning Trusts of Illinois Power Company**

In this proceeding, Illinois Power Company received approval to use revised investment guidelines applicable to the company's nuclear decommissioning trusts for its Clinton Nuclear Power Station. The purpose of this request was to permit use of a more diverse range of investments, some of which were not permitted under prior provisions of the Internal Revenue Code, in order to achieve higher fund performance without incurring excess levels of risk, thereby lowering ratepayer decommissioning contributions.

**ELECTRIC and GAS UTILITY DOCKETS**

**93-0381**

**ILLINOIS COMMERCE COMMISSION  
ON ITS OWN MOTION**

**-VS-**

**UNION ELECTRIC COMPANY**

**Reconciliation of revenues collected under fuel and gas adjustment charges with actual costs.**

In this FAC/PGA reconciliation, the Commission approved PGA treatment of contract buy-out costs associated with the termination of uneconomic fuel contracts.

**95-0551**

**CENTRAL ILLINOIS PUBLIC SERVICE COMPANY  
CIPSCO INCORPORATED  
UNION ELECTRIC COMPANY**

**Joint application for approval of merger and reorganization.**

The Commission approved the merger of Central Illinois Public Service Company ("CIPS") and Union Electric Company ("UE"). The proposed merger and reorganization will result in Ameren Corporation becoming the holding company parent of CIPS and UE. The Commission rejected applicant's proposed transfer of UE's Illinois electric and gas service areas and certain related facilities to CIPS. UE and CIPS will each continue to operate as public utilities in Illinois.

Applicants estimated that the system-wide merger savings during the first ten years after the merger will be approximately \$759 million. As a condition of merger approval, the Commission required that CIPS and UE each file a rate case or an alternative regulatory plan within six months after consummation of the merger. The Commission indicated that the ratemaking treatment of merger-related costs and savings to be adopted in those proceedings should reflect an appropriate sharing of net merger savings between Ameren Corporation and the Illinois ratepayers of CIPS and UE.

**96-0437                    ATMOS ENERGY CORPORATION  
AND**

**Joint petition and request for declaratory ruling for approval of the merger of United Cities Gas Company into Atmos Energy Corporation and for other related authority and relief.**

The Commission approved the proposed merger of United Cities with and into Atmos, with Atmos as the surviving corporation and public utility in Illinois. Following the merger, United Cities' gas distribution business became an unincorporated division of Atmos.

Applicants estimated that the merger will result in annual recurring cost savings to Illinois ratepayers of approximately \$252,000. The estimated annual cost savings were passed through to ratepayers in United Cities' rate case, Docket No. 96-0618.

## 96-0618 UNITED CITIES GAS COMPANY

United Cities requested a gas rate increase of \$1,188,836 or 5.81%. The Commission approved a settlement between United Cities and Commission Staff which resulted in a rate increase of \$427,671 or 2.09%. The estimated annual net merger savings to Illinois ratepayers of \$252,000 associated with the merger of United Cities into Atmos Energy Corporation were reflected in the approved revenue requirement.

## 96-0353 ILLINOIS-AMERICAN WATER COMPANY

**96-0353**      **ILLINOIS-AMERICAN WATER COMPANY**  
Application for a Certificate of Convenience and Necessity to construct and  
operate an extension of its water distribution system in Monroe County, Illinois.

In this proceeding, the Commission granted a certificate of public convenience and necessity to Illinois-American Water Company to serve an area in Monroe County. The application was opposed by the City of Columbia and Fountain Water District. The Commission found in part that granting the Applicant's proposal is necessary to provide water service to customers in the area in question.

## 97-0102 ILLINOIS-AMERICAN WATER COMPANY

In this proceeding, which is still pending but will be decided on or before December 29, 1997, Illinois-American Water Company seeks an increase in water rates in its service areas in Illinois. One of the contested issues in the case is the water company's proposed standby service tariff which would apply, in certain situations, to customers with new alternative sources of supply. This proposal is opposed in one or more respects by the Illinois Industrial Water Consumers and the Commission Staff.



## **PIPELINES**

**96-0145**

### **LAKEHEAD PIPELINE COMPANY, LIMITED PARTNERSHIP**

**Application for a certificate of public convenience and necessity to construct and operate a pipeline for the transportation of crude petroleum and other liquid hydrocarbons.**

In an Order dated May 7, 1997, the Commission denied Lakehead's request for a Certificate to construct a petroleum pipeline segment in excess of 100 miles in length entering the State near Harvard, Illinois and exiting the State near Griffith, Indiana. The Commission determined that, contrary to a provision of the Common Carrier by Pipeline Law, Lakehead failed to show a "public need" for the proposed pipeline. Thus, the Commission did not need to reach a conclusion on the public convenience and necessity issue.

# **Appendix B**

## **Relevant Federal Legislation**

**FEDERAL LEGISLATION**  
**105<sup>th</sup> Congress**

**ELECTRIC COMPETITION**

**HR 338**

Introduced as the Ratepayer Protection Act by Representative Stearns (R-FL) on January 7, HR 338 repeals Section 210 of the Public Utilities Regulatory Policies Act of 1978 (PURPA) to eliminate federal mandatory power purchase requirements. HR 338 has been heard in the Subcommittee on Energy and Power of the House Committee on Commerce.

**HR 655**

Introduced as the Electric Consumers' Power to Choose Act of 1997 by Representative Schaefer (R-CO) on February 10, HR 655 sets December 15, 2000, as the deadline by which all electric utility retail customers shall have the right to purchase retail electric energy services from any person offering them. HR 655 has been heard in the Subcommittee on Energy and Power of the House Committee on Commerce.

**HR 1230**

Introduced as the Consumers Electric Power Act of 1997 by Representative DeLay (R-TX) on April 8, HR 1230 declares that each person has the right to purchase electric service from any electric service provider and prohibits a governmental authority from granting any preference or protection from competition to any electric service provider (including subsidies, exit fees, and other penalties on exercising choice of electric purchases). HR 1230 has been heard in the Subcommittee on Energy and Power of the House Committee on Commerce.

**HR 1960**

Introduced as the Electric Power Competition and Consumer Choice Act of 1997 by Representative Markey (D-MA) on June 19, HR 1960 modernizes the Public Utility Holding Company Act of 1935, the Federal Power Act, the Fair Packaging and Labeling Act, and the Public Utility Regulatory Policies Act of 1978 to promote competition in the electric power industry. HR 1960 has been heard in the Subcommittee on Energy and Power of the House Committee on Commerce.

**S 237**

Introduced as the Electric Consumers Protection Act of 1997 by Senator Bumpers (D-AR) on January 30, S 237 sets December 15, 2003 as the date on which each consumer shall have the right to purchase retail electric energy from any offeror. S 237 has been referred to the Senate Committee on Energy and Natural Resources.

**S 621**

Introduced as the Public Utility Holding Company Act of 1997 by Senator D'Amato (R-NY) on April 22, S 621 repeals the Public Utility Holding Company Act of

1935 (PUHCA) and transfers residual regulatory authority from the Securities and Exchange Commission to the Federal Energy Regulatory Commission and State public service commissions. S 621 has passed the Senate Committee on Banking.

#### **S 722**

Introduced as the Electric Utility Restructuring Empowerment and Competitiveness Act of 1997 by Senator Thomas (R-WY) on May 8, S 722 prescribes parameters within which States may establish electric competition. S 722 has been referred to the Senate Committee on Energy and Natural Resources.

#### **S 1276**

Introduced on October 8 by Senator Bingaman (D-NM), S 1276 amends the Federal Power Act to facilitate the transition to more competitive and efficient electric power markets. The bill has been referred to the Senate Committee on Energy and Natural Resources.

#### **S 1401**

Introduced as the Transition to Electric Competition Act of 1997 by Senator Bumpers (D-AR) on October 7, S 1401 establishes January 1, 2002 as the date by which all consumers would have the right to choose their power supplier. The bill has been referred to the Senate Committee on Energy and Natural Resources.

### **ENERGY**

#### **HR 1359**

Introduced by Representative DeFazio (D-OR) on April 17, HR 1359 creates a national fund to provide matching grants to State and local programs promoting energy conservation, renewable energy resources like wind and solar power, and universal electricity service for low income, rural and other consumers for whom basic electricity service may be compromised by deregulation. HR 1359 has been heard in the Subcommittee on Energy and Power of the House Committee on Commerce.

#### **S 1115**

Introduced as the Comprehensive One-Call Notification Act of 1997 by Senator Lott (R-MS) on July 31, S 1115 provides for the establishment of a State one-call notification program to protect underground facilities from excavation damage. It authorizes a State to maintain an alternate one-call notification program if it provides protection for public safety, the environment, or excavators that is equivalent to, or greater than, protections outlined in the legislation. S 1115 passed the Senate unanimously and has been referred to the House Committee on Commerce and the House Committee on Transportation and Infrastructure for review.

### **NUCLEAR WASTE DISPOSAL**

**HR 1270**

Introduced as the Nuclear Waste Policy Act of 1997 by Representative Upton (R-MI) on April 10, HR 1270 legislates the development and operation of a repository for the permanent ecologic disposal of spent nuclear fuel and high-level radioactive waste by no later than January 31, 2002. The bill passed the House on a vote of 307 yeas to 120 nays. HR 1270 is the companion bill to S 104; differences between the two are scheduled to be worked out in the early part of 1998 so that legislation can be sent to the President.

**S 104**

Introduced as the Nuclear Waste Policy Act of 1997 by Senator Murkowski (R-AK) on January 21, S 104 legislates the development and operation of a repository for the permanent ecologic disposal of spent nuclear fuel and high-level radioactive waste. The bill passed the Senate on a vote of 65 yeas and 34 nays. S 104 is the companion bill to HR 1270; differences between the two are scheduled to be worked out in the early part of 1998 so that legislation can be sent to the President.

## **TELECOMMUNICATIONS**

### **S 1051**

Introduced as the Slamming Protection Act of 1997 by Senator Campbell (R-CO) on July 22, S 1051 amends the Communications Act of 1934 to make telecommunications carriers that execute illegal changes in a subscriber's selection of telephone exchange or toll service liable for any fees associated with changing the subscriber back to the carrier previously selected. The bill has been referred to the Senate Committee on Commerce.

### **S 1137**

Introduced as the Slamming Protection Act by Senator Durbin (D-IL) on July 31, S 1137 amends the Communications Act of 1934 to prescribe criminal penalties for the willful and unlawful execution of changes in a subscriber's selection of a telephone exchange or toll service provider. The bill has been referred to the Senate Committee on Commerce.

### **S 1188**

Introduced as the Court Consistency in Communications Act of 1997 by Senator Kohl (D-WI) on September 17, S 1188 grants the U.S. District Court for the District of Columbia exclusive jurisdiction to review determinations made with regard to local and long distance network telecommunications agreements under the Communications Act of 1934. The bill has been referred to the Senate Committee on Judiciary.

# **Appendix C**

## **Emission Allowance Reports**

Emission Allowance Reports are available from the Illinois Commerce Commission's Chief Clerk's Office.  
The number is 217/782-5669.



